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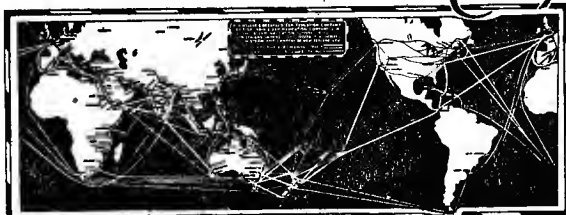
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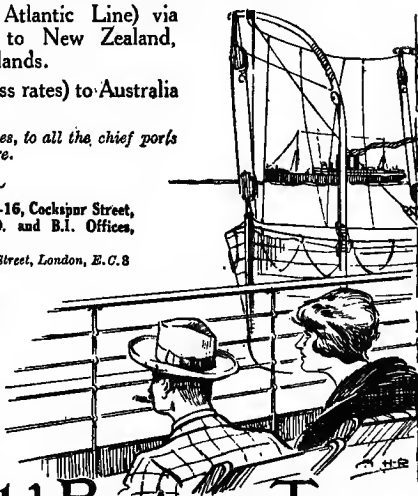
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Round the World Business Tours

The Relation between Wholesale and Retail Prices since the War

By ARTHUR L. BOWLEY,
Professor of Statistics, University of London.

It has been known for a long time in a general way that the movements of retail prices followed those of wholesale prices after an interval and that their oscillations were of a smaller amplitude, but there is not much published work on the subject. It has, in fact, been difficult to obtain data for such a study, since the more easily available statistics are on a yearly basis, while the interval between the movements is only a few months. Since July, 1914, the retail prices of food have been published monthly in the *Labour Gazette*, and it is, therefore, now possible to make a detailed analysis. This paper is limited to the period since the Armistice, and deals with index-numbers representing averages and not with prices of separate commodities.¹

The general nature of the problem is shown in the first figure of Diagram I. The index-numbers of wholesale and retail food prices were both approximately 230 at the beginning of 1919 (the period immediately before the war being represented by 100); after a brief fall both numbers rose to a maximum in 1920, and fell in 1921, and early in 1922 the fall was checked. The general movements are thus similar, but there is a difference in the dates of the maxima of the two numbers, and there are many differences in detail. The problem is to find a formula which relates the retail index-number at any date with the wholesale index-number of the same or of a preceding date, and there is a subsidiary problem to forecast the movements of the retail from those of the wholesale index-number.

Three methods are here applied to obtain a solution of the problem, which I may call Dr. Elsas's method, the correlation method, and the method of differences.

Dr. Elsas in connection with his bi-monthly analysis of prices in Germany desired to foretell by at least two months the movement of retail prices. He argued that retail prices in the near future are determined partly by the existing retail prices, which are related to the cost of the stocks of commodities already in the market, and partly by existing wholesale prices which determine the cost of the stock coming forward, and that, therefore, a future retail price index-number will be some function of the current wholesale and retail

¹ For the war period, see *Prices and Wages in the United Kingdom, 1914 to 1920*, chs. iii and iv; and for a slight study of food prices in the years 1891 to 1913, see *The Economic Journal*, pp. 514-23, 1913.

price numbers. He adopted the empirical formula, "Retail index-number in any month equals the cube root of the product of the wholesale index-number and the square of the retail index-number two months earlier," and by this formula forecasted in May the great fall of the internal value of the mark in the coming two months with fair precision.¹ I have used a similar formula for the comparison of wholesale and retail index-numbers for food in the United Kingdom, except that I have taken a weighted arithmetic instead of a geometric average and have calculated the weights by the method of least squares. For a two months' forecast I use (approximately) the formula,² "Three-fourths of the existing retail index plus one-fourth of the wholesale index." The agreement of the formula and the records (shown in Table I) is fair, the mean error being 4 per cent. (9 points).

Dr. Elsas's formula is based on very short periods without explicit reference to earlier movements. The correlation method, on the other hand, depends on the average level of the numbers over the whole period studied. Between the *Statist* wholesale food index and the *Labour Gazette* retail food index in the 37 months to May, 1922, I find that the correlation coefficient is the same (.967 or .968) when retail prices are compared with wholesale prices three and four months earlier, and is greater than when the comparison is made for two months (.955) or five months (.914) in advance. The coefficients are much smaller when retail prices are compared with retail, being .622, .907 and .529 for one, two and three months earlier. The closest relationship on this test is with retail prices two months and wholesale prices three months before, and the result of the formula is shown in the second figure of Diagram I. The mean difference between formula and record is 6.1 points or $2\frac{1}{2}$ per cent. If, however, we take wholesale prices only the mean difference is only 6.2 points, and we have the advantage of forecasting three months ahead instead of two.

The formulæ based on correlation coefficients give only the answer to the question, "What linear equation between the retail price-index at one date and wholesale or retail price-indexes at earlier date gives the closest approximation to the facts, under the test that the sum of the squares of the residuals shall be least?" The formulæ are, in fact, quite empirical, and the coefficients may depend on the period taken in their calculation. There is little doubt that they will only be applicable in the future over a small range of variation; under formula (e) if wholesale prices returned to a pre-war level, retail prices would be 36 per cent. above the pre-war level. The importance of the method (apart from short-period prediction) lies in the

¹ *Der Stand der Kosten der Lebenshaltung*, May and July, 1922. In May the purchasing power of the mark was reckoned at 3.19 and 1.52 pfennige, retail and wholesale; the formula gives $\sqrt[3]{(3.19^2 \times 1.52)} = 2.49$. In July the number actual was 2.38.

² The formulæ and correlation coefficients are collected on pp. 199-201 below.

analysis of the time-lag between wholesale and retail prices (for which three or four months is here suggested), and in their relative oscillations. The coefficient of variation (the standard deviation expressed as a percentage of the average) is 19.0 for wholesale and 13.5 for retail; that is, by this measurement, the oscillations of retail food prices are seven-tenths of those of wholesale. The result agrees very closely with that found in the period 1896-1910 (*loc. cit.*).

A more direct method of approach is by the comparison of the change in the wholesale index-number with a subsequent change in the retail index-number. Thus from January 31st to February 28th, 1921, the wholesale index fell from 251 to 234, 17 points; from April 1st to May 1st, the retail index fell from 238 to 232, 6 points, and in the next month 14 points; either of these can be expressed as a ratio of the 17. The coefficients of correlation between these variables are relatively small; between the difference of successive retail prices and that of wholesale prices one, two, three and four months earlier they are .49, .505, .52 and .41. The correlation coefficients in the former method are larger, because they include the influence of the great movement up and down in the three years. We obtain as the relation for a three months' interval, "The number of points passed in a month by the retail index = three-eighths of the number passed three months earlier by the wholesale index." The mean deviation between the price-index given by this formula and the actual record is 5.2 points (2½ per cent.), and is smaller than obtained by the previous methods. The advantage of the difference method is that it only depends on recent records, not involving a long period average; the disadvantage is that it can only be used for forecasting one month ahead, a two months' forecast proving to be untrustworthy. All these formulæ have been used in the tables to forecast the retail index in June, July and August, 1922, months not involved in their computation. For June the forecasts varied from 171 to 178, the actual number being 170; for July the forecasts were from 171 to 183, the actual number being 180; for August the forecasts vary from 172 to 189 in sympathy with the irregular wholesale index-movements from April to June, and the actual number is 175. Formula (f), depending on retail prices two months and wholesale prices three months before, comes best in this test, forecasting the numbers as 174, 178, 183, while 170, 180 and 175 were realized.

The retail and wholesale indices both include wheat (or bread), flour, potatoes, beef, mutton, bacon, butter, sugar and tea. The wholesale index includes also barley, oats, maize, rice, pork and coffee; the retail index includes also fish, milk, eggs and margarine. The allocations of weights also are different. A further test has been made by computing the retail index after the elimination of fish, milk, eggs and margarine, the first three of which are seasonal in their price variations. The results are shown in Section B of the formulæ (p. 200 below) and in Table III. It is surprising to find

that there is, on the whole, no closer relationship found than in the unadjusted numbers.

For many purposes the study of the relationship between the more broadly based index-number of the *cost of living* and *wholesale prices generally* is more interesting than that which relates to food alone. For this study the usual *Statist* index-number for food and materials together is used. The relative weights in the Cost of Living index are: food 15, clothing, 3; fuel and light, 2; miscellaneous items, 1, and rent, 4; of these, rent, of course, is not represented in the wholesale index, while it has a steadying influence on the retail. The results are shown in Section C of the formulæ (p. 200), Table IV and Diagram II. It is a curious fact that, with the wider basis and the less obvious connection, the correlation coefficients are nearly as great and the mean difference between the computed and recorded figures is actually less than before. The coefficients of correlation with wholesale prices two, three, four and five months before are .894, .938, .955 and .940, the greatest being that when the interval is four months. The mean difference when the four months' formula is used is 5.9 points ($2\frac{1}{2}$ per cent.). Table IV shows that a great part of this difference is due to the movements in four months in the autumn of 1920, and in four months of the late summer and autumn of 1921; the causes of the excess retail prices at these periods have not been fully analysed, but the removal of the bread subsidy in 1920 and the effects of the drought on home produce in 1921 are certainly partly responsible. If the formula is reconstructed after the elimination of these 8 months (depending then on 29 months only) its agreement with observations over the 37 months is nearly as good as before, while in the 29 months the mean difference is only 3.6 ($1\frac{1}{2}$ to 2 per cent.). The correlation coefficient for the 29 months is no less than .991. This revised formula forecasts four months ahead, and gave 181, 180, and 181¹ for June, July and August this year, while, in fact, 180, 184, and 181 were recorded.

The formula is: "Cost of Living index for the 1st day of a month = $103.6 + .58P_4$," where P_4 is the *Statist* index-month four months and a day before.

This formula does not express a law of nature or of economics, but is merely an empirical equation whose numerical constituents will be gradually modified, and it is liable to fail whenever there is any temporary disturbance in the retail price of a seasonal commodity. The closeness with which it represented the facts for three years is, however, very remarkable.

This paper should be regarded as an examination of methods, rather than as leading to definite and general conclusions. It is proposed in the near future to apply some of these methods to the relationship between wholesale and retail prices of particular commodities.

¹ For September 1st, October 1st, and November 1st, 1922, the formula gives 182, 182, and 180.

3. Variate differences of the first order :

$p = p_{.1} + \cdot 35 (P_{.1} - P_{.2})$;	mean difference	5.2	—
$p = p_{.1} + \cdot 37 (P_{.2} - P_{.3})$;	„ „	4.9	(h)
$p = p_{.1} + \cdot 375 (P_{.3} - P_{.4})$;	„ „	5.2	(i)
$p = p_{.1} + \cdot 30 (P_{.4} - P_{.5})$;	„ „	5.75	—

The coefficients of correlation between $(p - p_{.1})$ and $(P_{.1} - P_{.2})$, $(P_{.2} - P_{.3})$, $(P_{.3} - P_{.4})$, $(P_{.4} - P_{.5})$ are .49, .505, .52, .41 respectively, and the standard deviations of $(p - p_{.1})$, and $(P_{.1} - P_{.2})$, etc., are approximately 8 and 11. The numerical factor in each equation is the correlation coefficient multiplied by the ratio of the standard deviations.

See Table II.

B.—See Table III.

Statist wholesale food index-number and *Labour Gazette* retail food index-number, fish, milk, margarine and eggs being excluded.

Standard deviation and average :

Retail, 37 months beginning May, 1919, standard deviation 32.12, average 222.46.

For wholesale, as under A.

Coefficients of correlation :

$$r_{pP_1} = .900, r_{pP_2} = .951, r_{pP_3} = .954, r_{pP_4} = .944, r_{pP_5} = .923;$$

$$r_{p_{.1}p_{.2}} = .963, r_{p_{.2}p_{.3}} = .898, r_{p_{.3}p_{.4}} = .818; r_{(p-p_{.1})(P_{.2}-P_{.3})} = .47,$$

$$r_{(p-p_{.1})(P_{.1}-P_{.2})} = .57.$$

Formulæ, and mean differences and mean squared differences between results of formulæ and records :

	Mean difference	Mean squared difference.	
$p = 102.1 + \cdot 50P$;	—	—	—
$p = 80.4 + \cdot 585P_{.1}$;	12.2	—	—
$p = 68 + \cdot 634P_{.2}$;	8.6	11.0	—
$p = 61.4 + \cdot 656P_{.3}$;	8.1	9.5	(j)
$p = 38 + \cdot 5P_{.3} + \cdot 28p_{.2}$;	6.9	8.4	(k)
$p = 35 + \cdot 5P_{.3} + \cdot 283p_{.3}$	7.2	9.3	(l)
$p = 54.4 + \cdot 68P_{.4}$;	8.1	10.5	(m)
$p = p_{.1} + \cdot 437(P_{.1} - P_{.3})$	4.3	—	—
$p = p_{.1} + \cdot 363(P_{.2} - P_{.3})$	4.1	—	—

No difference is made in (m), if $p_{.3}$ is also included, since its coefficient is found to be zero.

C.—See Table IV and Diagram II.

Statist general wholesale price index-number and *Labour Gazette* Cost of Living index.

Standard deviations and Averages :

		Standard deviation.	Average.
Wholesale, 37 mths. beginning Dec. 1918	48.28	249.1	P. ₄
Cost of Living " " Jan. 1919	50.33	247.0	P. ₃
" " May 1919	24.96	225.4	p

Coefficients of correlation.

$$r_{pP-2} = .894, r_{pP-3} = .938, r_{pP-4} = .955, r_{pP-5} = .940.$$

Regression equations and mean differences between results of formulæ and records :

$$\begin{array}{lll} p = 110.3 + .466P_3 & 7.4 & (o) \\ p = 102.4 + .494P_4 & 5.9 & (p) \end{array}$$

If the 8 months, October, 1920, to January, 1921, and August to November, 1921, are omitted in the calculation, the coefficient of correlation (r_{pP-4}) becomes .991 and the regression equation is

$$p = 103.6 + .476P_4 \quad 6.0 \quad (q);$$

the mean difference for the remaining 29 months is, however, only 3.6.

In the formulæ under C, the *Statist* index is expressed as percentage of its average level, April to July, 1914, which on the *Statist* base was only 82. If P_4 stands for the *Statist* number as generally given, formula (q) becomes

$$p = 103.6 + .58P_4.$$

202 TABLE I.—WHOLESALE AND RETAIL FOOD INDEX-NUMBERS

TABLE 2. WHOLESALE AND RETAIL RECORDS										
Wholesale	Retail.	Dr. Elsas's Method								
		Months in Advance.								
		One.		Two.		Three.		Four.		
		Formula (a)		Formula (b)		Formula (c)		Formula (d)		
			Differences		Differences		Differences		Differences	
1919	236	230								
	234	230								
	235	220								
	223	213								
	223	207	214	+ 7	224	+ 17	231	+ 24	233	+ 26
	226	204	209	+ 5	216	+ 12	226	+ 22	232	+ 28
	229	209	207	- 2	211	+ 2	217	+ 8	227	+ 18
	231	217	212	- 5	210	- 7	213	- 4	217	0
	242	216	219	+ 3	214	- 2	212	- 4	214	- 2
1920	244	222	219	- 3	221	- 1	216	- 6	214	- 8
	253	231	225	- 6	223	- 8	222	- 9	218	- 13
	258	234	234	0	228	- 6	226	- 8	223	- 11
	260	236	237	+ 1	237	+ 1	230	- 6	227	- 9
	265	235	239	+ 4	240	+ 5	239	+ 4	232	- 3
	286	233	239	+ 6	242	+ 9	243	+ 10	241	+ 8
	300	235	240	+ 5	243	+ 8	245	+ 10	245	+ 10
	315	246	243	- 3	247	+ 1	246	0	247	+ 1
	318	255	255	0	252	- 3	253	- 2	248	- 7
1921	325	258	263	+ 5	273	+ 15	259	+ 1	256	- 2
	325	262	267	+ 5	271	+ 9	272	+ 10	264	+ 2
	319	267	270	+ 3	275	+ 8	278	+ 11	276	+ 9
	308	270	274	+ 4	278	+ 8	283	+ 13	283	+ 13
	302	291	275	- 16	280	- 11	285	- 6	287	- 4
	291	282	292	+ 10	280	- 2	284	+ 2	290	+ 8
	253	278	283	+ 5	294	+ 16	284	+ 6	290	+ 12
	251	263	275	+ 12	284	+ 21	295	+ 32	287	+ 24
	234	249	261	+ 12	272	+ 23	285	+ 36	296	+ 47
1922	232	238	247	+ 9	260	+ 22	269	+ 31	286	+ 48
	225	232	237	+ 5	245	+ 13	259	+ 27	268	+ 36
	211	218	231	+ 13	236	+ 18	243	+ 25	258	+ 40
	207	220	217	- 3	230	+ 10	236	+ 16	242	+ 22
	206	226	218	- 8	216	- 10	229	+ 3	235	+ 9
	207	225	223	- 2	217	- 8	215	- 10	229	+ 4
	190	210	223	+ 13	221	+ 11	215	+ 5	215	+ 5
	168	200	207	+ 7	220	+ 20	219	+ 19	214	+ 14
	168	195	196	+ 1	205	+ 10	218	+ 23	217	+ 22
1923	160	185	191	+ 6	192	+ 7	203	+ 18	217	+ 32
	162	179	182	+ 3	188	+ 9	188	+ 9	201	+ 22
	166	177	177	0	179	+ 2	185	+ 8	186	+ 9
	174	173	176	+ 3	175	+ 2	176	+ 3	183	+ 10
	183	172	173	+ 1	174	+ 2	173	+ 1	174	+ 2
	179	170	(173)		(173)		(173)		(171)	
	178	180	(171)		(175)		(173)		(172)	
	174	175	(180)		(172)		(176)		(173)	
	Mean difference between formulæ results & records		5.3		9.2		11.7		14.6	

The formulæ are calculated on 37 months' records. Numbers in brackets are forecasts given by the formulæ. The entries in the first line, first two columns, are for December 31st, 1918 (wholesale), and January 1st, 1919 (retail). For the first column: Average of 1913=100. Second column: July, 1914=100.

TABLE II.
RETAIL FOOD INDEX-NUMBERS

Regression Equations.					Difference Method.				
P ₂ .		P ₂ & p ₂ .		P ₄ .		Two months.		Three months.	
Formula(e)	Differences	Formula(f)	Differences	Formula(g)	Differences	Formula(h)	Differences	Formula(i)	Differences
1919	221 +14	220 +13	221 +14	213 ¹ / ₂ +6 ¹ / ₂	212 +5	212 +5	212 +5	212 +5	212 +5
	222 +18	219 +15	219 +15	202 ¹ / ₂ +1 ¹ / ₂	204 -5	204 -5	204 -5	207 ¹ / ₂ +3 ¹ / ₂	199 ¹ / ₂ -9 ¹ / ₂
	214 +5	211 +2	220 +11	210 -7	218 +2	217 -5	226 -5	209 -8	218 +2
	214 -3	211 -6	212 -5	218 +2	217 -5	226 -5	232 -2	217 -5	223 -8
	216 0	213 -3	212 -4	218 +2	217 -5	226 -5	232 -2	217 -5	223 -8
	218 -4	217 -5	214 -8	217 -5	217 -5	226 -5	232 -2	217 -5	223 -8
	219 -12	218 -13	216 -15	217 -5	217 -5	226 -5	232 -2	217 -5	223 -8
	226 -8	225 -9	217 -17	217 -5	217 -5	226 -5	232 -2	217 -5	223 -8
1920	227 -9	228 -8	225 -11	237 +1	235 -1	235 -1	235 -1	235 -1	235 -1
	233 -2	233 -2	226 -9	238 +3	239 +4	239 +4	239 +4	239 +4	239 +4
	236 +3	236 +3	232 -1	236 +3	237 +4	237 +4	237 +4	237 +4	237 +4
	238 +3	237 +2	235 0	235 0	234 -1	234 -1	234 -1	234 -1	234 -1
	241 -5	239 -7	237 -9	243 -3	237 -9	237 -9	237 -9	237 -9	237 -9
	254 -1	250 -5	240 -15	251 -4	254 -1	254 -1	254 -1	254 -1	254 -1
	263 +5	260 +2	254 -4	260 ¹ / ₂ +2 ¹ / ₂	260 +2	260 +2	260 +2	260 +2	260 +2
	273 +11	270 +8	263 +1	259 -3	263 ¹ / ₂ +1 ¹ / ₂	263 ¹ / ₂ +1 ¹ / ₂	263 ¹ / ₂ +1 ¹ / ₂	263 ¹ / ₂ +1 ¹ / ₂	263 ¹ / ₂ +1 ¹ / ₂
	274 +7	272 +5	273 +6	264 ¹ / ₂ -2 ¹ / ₂	263 -4 ¹ / ₂	263 -4 ¹ / ₂	263 -4 ¹ / ₂	263 -4 ¹ / ₂	263 -4 ¹ / ₂
	279 +9	277 +7	275 +5	267 -3	269 ¹ / ₂ -1 ¹ / ₂	269 ¹ / ₂ -1 ¹ / ₂	269 ¹ / ₂ -1 ¹ / ₂	269 ¹ / ₂ -1 ¹ / ₂	269 ¹ / ₂ -1 ¹ / ₂
	279 -12	278 -13	280 -11	268 -23	270 -21	270 -21	270 -21	270 -21	270 -21
	275 -7	275 -7	280 -2	287 +5	289 +7	289 +7	289 +7	289 +7	289 +7
1921	268 -10	274 -4	276 -2	280 +2	278 0	278 0	278 0	278 0	278 0
	265 +2	269 +6	269 +6	274 +11	276 +13	276 +13	276 +13	276 +13	276 +13
	257 +8	262 +13	265 +16	249 0	259 +10	259 +10	259 +10	259 +10	259 +10
	233 -5	239 +1	257 +19	248 +10	235 -3	235 -3	235 -3	235 -3	235 -3
	232 0	235 +3	232 0	232 0	237 +5	237 +5	237 +5	237 +5	237 +5
	221 +3	224 +6	231 +13	231 +13	226 +8	226 +8	226 +8	226 +8	226 +8
	220 0	221 +1	219 -1	215 ¹ / ₂ -4 ¹ / ₂	217 -3	217 -3	217 -3	217 -3	217 -3
	215 -11	215 -11	218 -8	215 -11	217 ¹ / ₂ -8 ¹ / ₂	217 ¹ / ₂ -8 ¹ / ₂	217 ¹ / ₂ -8 ¹ / ₂	217 ¹ / ₂ -8 ¹ / ₂	217 ¹ / ₂ -8 ¹ / ₂
	206 -19	208 -17	213 -12	224 ¹ / ₂ -1 ¹ / ₂	221 -4	221 -4	221 -4	221 -4	221 -4
	204 -6	207 -3	204 -6	224 ¹ / ₂ +14 ¹ / ₂	223 ¹ / ₂ +13 ¹ / ₂	223 ¹ / ₂ +13 ¹ / ₂	223 ¹ / ₂ +13 ¹ / ₂	223 ¹ / ₂ +13 ¹ / ₂	223 ¹ / ₂ +13 ¹ / ₂
	203 +3	206 +6	201 +1	210 ¹ / ₂ +10 ¹ / ₂	209 ¹ / ₂ +9 ¹ / ₂	209 ¹ / ₂ +9 ¹ / ₂	209 ¹ / ₂ +9 ¹ / ₂	209 ¹ / ₂ +9 ¹ / ₂	209 ¹ / ₂ +9 ¹ / ₂
	204 +9	204 +9	201 +6	194 -1	200 ¹ / ₂ +5 ¹ / ₂	200 ¹ / ₂ +5 ¹ / ₂	200 ¹ / ₂ +5 ¹ / ₂	200 ¹ / ₂ +5 ¹ / ₂	200 ¹ / ₂ +5 ¹ / ₂
1922	193 +8	193 +8	201 +16	187 +2	189 +4	189 +4	189 +4	189 +4	189 +4
	179 0	180 +1	190 +11	185 +6	177 -2	177 -2	177 -2	177 -2	177 -2
	179 +2	178 +1	175 ¹ / ₂ -1 ¹ / ₂	176 -1	179 +2	179 +2	179 +2	179 +2	179 +2
	174 +1	172 -1	175 ¹ / ₂ +2 ¹ / ₂	178 +5	174 +1	174 +1	174 +1	174 +1	174 +1
	175 +3	173 +1	170 -2	174 ¹ / ₂ +2 ¹ / ₂	174 +2	174 +2	174 +2	174 +2	174 +2
	(178)	(174)	(171 ¹ / ₂)	(175)	(173 ¹ / ₂)	(173 ¹ / ₂)	(173 ¹ / ₂)	(173 ¹ / ₂)	(173 ¹ / ₂)
	(183)	(178)	(174)	(173 ¹ / ₂)	(173)	(173)	(173)	(173)	(173)
	(189)	(183)	(179 ¹ / ₂)	(178 ¹ / ₂)	(183 ¹ / ₂)	(183 ¹ / ₂)	(183 ¹ / ₂)	(183 ¹ / ₂)	(183 ¹ / ₂)
Mean dif- ference		6.1	7.5	4.9	5.2	5.2	5.2	5.2	5.2

The formulæ are based on 37 months' records. Numbers in brackets are forecasts given by the formulæ.

Comparisons are made with the second column of Table I.

TABLE III.
REVISED RETAIL FOOD INDEX NUMBERS
(Four commodities excluded.)

Regression Equations.											
	P ₁ .		P ₂ & P ₃ .		P ₃ & P ₄ .		P ₄ .		Difference Method. 2 months.		
	Formula (j)	Differences	Formula (k)	Differences	Formula (l)	Differences	Formula (m)	Differences	Formula (n)	Differences	
1919	204	217 + 13	212 + 8	213 + 9	215 + 11	205 + 1	201	209 + 8	206 + 5	205 + 4	214 + 13
	201	209 + 8	212 + 11	212 + 11	213 + 12	199 - 2	201	201	206 + 3	206 + 1	202 - 6
	201	209 + 8	206 + 5	205 + 4	214 + 13	201	201	201	206 + 3	206 + 1	202 - 6
	208	211 + 3	205 - 3	205 - 3	206 - 2	209 + 4	205	214 ½	210 + 5	210 - 2	213 - 2
	205	213 + 8	206 + 1	205 ½	206 + 1	209 + 4	205	214 ½	210 + 5	210 - 2	213 - 2
	205	214 ½	210 + 5	207 + 2	208 + 3	206 + 1	205	214 ½	210 + 5	210 - 2	213 - 2
	212	221 + 9	210 - 2	210 - 2	210 - 2	210 - 2	205	214 ½	210 + 5	210 - 2	213 - 2
	215	223 + 8	215	215	215	215	205	214 ½	210 + 5	210 - 2	213 - 2
1920	217	228 + 11	218 + 1	216 - 1	219 + 2	219 + 2	217	231 ½	223 + 6	227 + 4 ½	226 + 3 ½
	217	231 ½	223 + 6	222 ½	220 + 3	218 - 4 ½	222 ½	233 + 10 ½	227 + 1	227 - 2	229 ½
	222 ½	233 + 10 ½	227 + 4 ½	226 + 3 ½	226 + 3 ½	224 ½	229 ½	236 + 7	232 - 13	230 - 15	231 - 14
	229	236 + 7	228 - 1	227 - 2	229 ½	238 - 7	231	249 + 4	242 - 16	242 - 16	243 - 24
	245	249 + 4	232 - 13	230 - 15	231 - 14	251	248 ½	258	266 + 3	263	268 + 3
	258	258	244 - 14	242 - 16	243 - 24	251	248 ½	258	266 + 3	263	268 + 3
	262	268 + 6	255 - 7	251 - 11	248 ½	264 ½	258	270 + 7	269 + 4	268 + 3	270 + 5
	263	270 + 7	266 + 3	263	258	266	258	274 + 9	273 + 8	273 + 8	273 - 13
	265	274 + 9	269 + 4	268 + 3	268 + 3	266	258	274 + 9	273 + 8	273 + 8	273 - 13
	265	274 + 9	273 + 8	273 + 8	270 + 5	265	258	274 + 9	273 + 8	273 + 8	273 - 13
	286	270 - 16	273 - 13	273 - 13	275 - 11	262 ½	258	270 - 16	273 - 13	273 - 13	273 - 13
	272	263 - 9	270 - 2	271 - 1	275 + 3	281	258	263 - 9	270 - 2	271 - 1	275 + 3
1921	268	259 - 9	271 + 3	265 - 3	271 + 3	269 ½	259	252 ½	264 + 5	268 + 9	263 ½
	259	252 ½	264 + 5	268 + 9	263 ½	263 + 4	259	252 ½	264 + 5	268 + 9	263 ½
	245	228 - 17	257 + 12	258 ½	260 ½	242 ½	245	228 - 17	257 + 12	258 ½	260 ½
	240	227 - 13	236 - 4	238 - 2	252 + 12	244 + 4	240	227 - 13	236 - 4	238 - 2	252 + 12
	235	216 - 19	231 - 4	234 ½	226 - 9	232 ½	235	216 - 19	231 - 4	234 ½	226 - 9
	224	215 - 9	221 - 3	222 - 2	225 + 1	234 + 10	224	215 - 9	221 - 3	222 - 2	225 + 1
	224	211 - 13	219 - 5	220 - 4	213 - 11	221 - 3	224	211 - 13	219 - 5	220 - 4	213 - 11
	227	202 - 25	212 - 15	215 - 12	212 - 15	218 - 9	227	202 - 25	212 - 15	215 - 12	212 - 15
	224	199 - 25	205 - 19	204 ½	207 - 17	225 + 1	224	199 - 25	205 - 19	204 ½	207 - 17
	206	199 - 7	204 - 2	202 ½	197 ½	223 ½	206	199 - 7	204 - 2	202 ½	197 ½
	188 ½	199 + 10 ½	203 + 14 ½	203 + 14 ½	195 + 6 ½	206 ½	188 ½	199 + 10 ½	203 + 14 ½	203 + 14 ½	195 + 6 ½
	181	188 + 7	198 + 17	203 + 22	194 + 13	181	188 + 7	198 + 17	203 + 22	194 + 13	181
1922	171	174 ½	185 + 14	189 + 18	195 + 24	171 ½	171	174 ½	185 + 14	189 + 18	195 + 24
	167	174 ½	172 + 5	173 + 6	183 ½	171 + 4	167	174 ½	172 + 5	173 + 6	183 ½
	169	169	169	171 + 2	168 ½	163 ½	169	169	169	171 + 2	168 ½
	173	171 - 2	164 - 9	164 - 9	168 ½	170 - 3	173	171 - 2	164 - 9	164 - 9	168 ½
	177	173 - 4	165 ½	164 - 13	163 - 14	175 - 2	177	173 - 4	165 ½	164 - 13	163 - 14
	176	(178)	(169)	(166 ½)	(164 ½)	(181)	176	(178)	(169)	(166 ½)	(164 ½)
	186	(184)	(174)	(171)	(167)	(180 ½)	186	(184)	(174)	(171)	(167)
	178	(181 ½)	(180)	(177)	(173)	(184)	178	(181 ½)	(180)	(177)	(173)
Mean differences 8.6 6.9 7.2 8.1 4.3											

The formulæ are based on 37 months' records. Numbers in brackets are forecasts given by the formulæ. For the first column: July, 1914=100.

TABLE IV.
STATIST GENERAL WHOLESALE AND COST OF LIVING INDEX-NUMBER.

205

		Regression Equations.					
	Wholesale Cost of living.	P ₃ .		P ₄ .		P ₄ .	
		Formula (o)	Differences	Formula (p)	Differences	Formula (q)	Differences
1919	239	220					
	234	220					
	229	215					
	225	210					
	225	205	219	220½	217½	217½	+12½
	237	205	217	218	215	215	+10
	243	207½	215	215½	213	213	+5½
	252	215	215	213½	211	211	-4
	259½	215	221	213½	211	211	-4
	262	220	223½	219½	216½	216½	-3½
	273½	225	226	222½	219	219	-6
	282	225	231	227	223½	223½	-1½
1920	287	225	232	231	227	227	+2
	299	230	238	232	228½	228½	-1½
	318	230	242	238	234	234	+4
	319	232	244	242	238	238	+6
	324½	241	250	244½	239	239	-2
	317	250	258½	250½	246	246	-4
	312	252	259	260	255	255	+3
	310½	255	261	260½	255½	255½	+½
	309	261	258	262	258	258	-3
	304	264	256	259½	254½	254½	(-9½)
	293	276	255	257	252	252	(-24)
	273	269	254	256	251½	251½	(-17½)
1921	253	265	252	255½	251	251	(-14)
	240½	251	247	253	248½	248½	-2½
	223	241	237½	247½	243	243	+2
	216	233	228	237½	234	234	+1
	207	228	222	227½	224	224	-4
	198	219	214	221	218	218	-1
	190	219	211	212½	210	210	-9
	193	222	207	209	206½	206½	(-15½)
	188	220	202½	204½	202	202	(-18)
	182	210	199	200	198	198	(-12)
	169	203	200	196	194	194	(-9)
	167	199	198	197½	195½	195½	-3½
1922	164	192	195	195	193	193	+1
	161	188	189	192	190½	190½	+2½
	161	186	188	185½	184	184	-2
	162	182	187	184½	183	183	+1
	164½	181	185	183	182	182	+1
	165	180	(185)	(182)	(180)	(180)	
	165½	184	(185½)	(182)	(180)	(180)	
	162	181	(187)	(182½)	(181)	(181)	
Mean differences ...		7.4		5.9		3.6 (29 mths.) 6.0 (37 mths.)	

The formulæ (o) and (p) are based on 37 months' record; (q) on 29 months', those entered in brackets in the final column being excluded. The entries in brackets in last 3 months are forecasts based on the formulæ. For wholesale prices the average of the 4 months, April to July, 1914, is taken as 100, and the first entry in the Table is for December 31st, 1918. For the Cost of Living, July, 1914, is taken as 100, and the first entry is for January 1st, 1919.

DIAGRAM I. WHOLESALE AND RETAIL FOOD PRICES.

Retail—Actual and Formula ($\hat{r}$) based on wholesale index 3 months in advance.

Statistics and Ministry of Labour's Index-numbers.

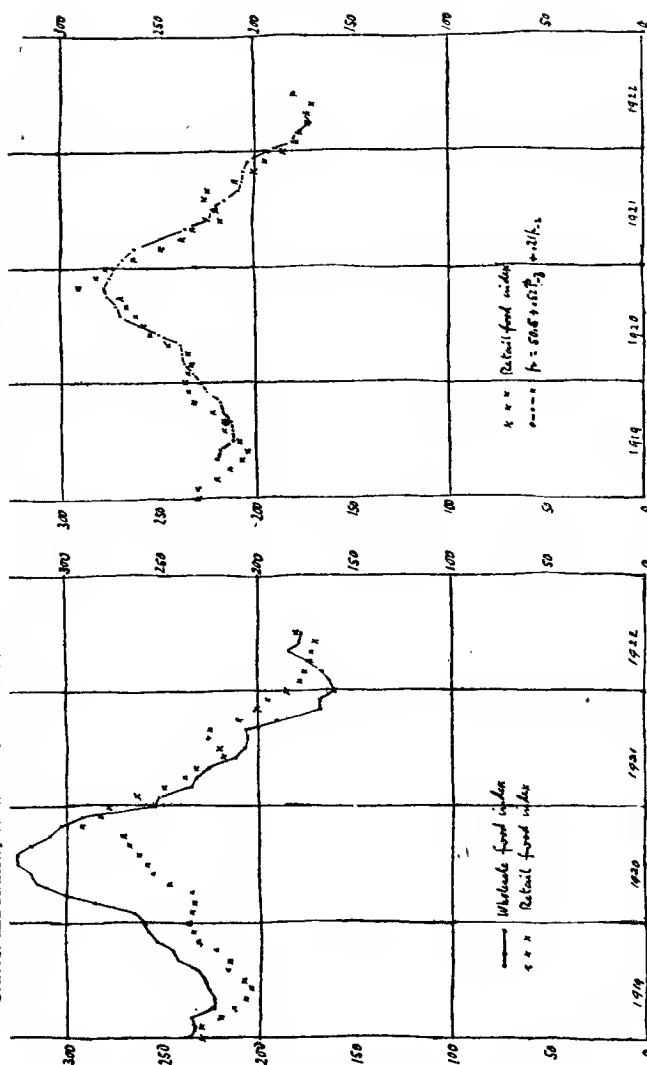
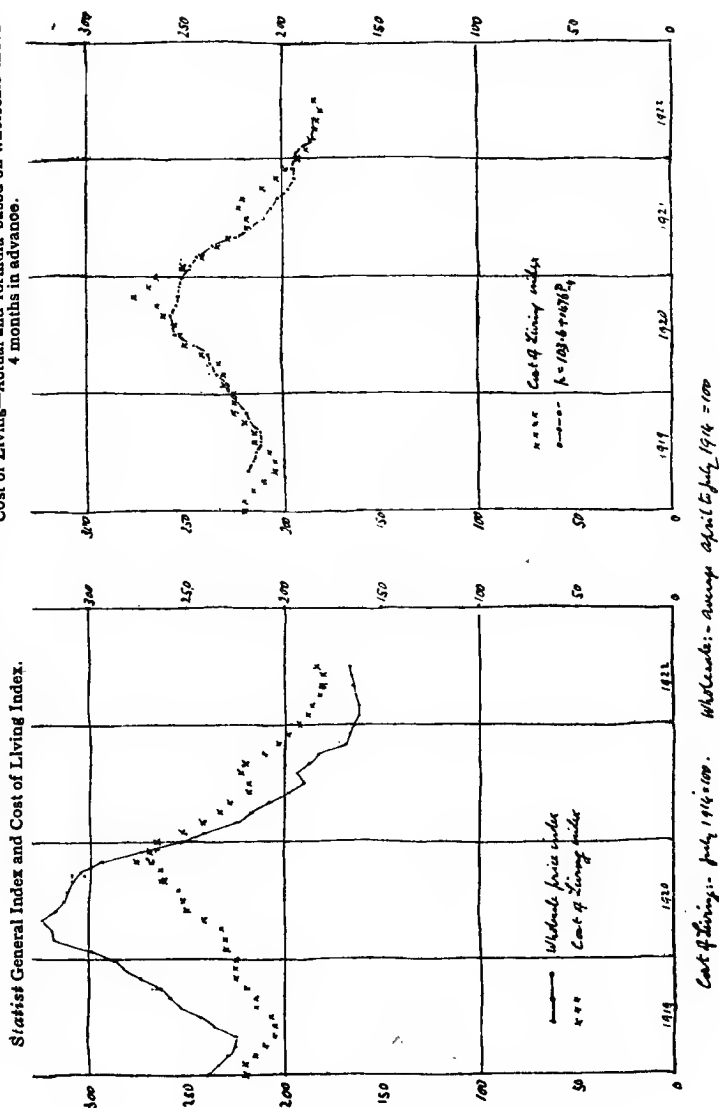


DIAGRAM II.

WHOLESALE PRICES AND COST OF LIVING.

 Cost of Living—Actual and formula based on wholesale index
4 months in advance.


Ethnology and the Study of Society

By BRONISLAW MALINOWSKI.

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EVERY branch of knowledge can be made useful ; first, in its direct application to the practical management of the subject ; secondly, in opening a wider outlook upon its subject matter, in allowing us to build up a more adequate theory of the phenomena in question. The study of savage and coloured races possesses practical value, in the first sense, for purposes of colonial administration and the management of the relations between white and coloured people. In the second sense, ethnology may be a most powerful means of widening our outlook on human nature, of allowing us to build up a correct theory of society for the future scientific guidance of human affairs. This latter claim sounds yet, in our present state of things, like a mixture of wild utopia and an anæmic truism, but I think even the most pessimistic will have to admit that to cultivate and spread *true* and *correct* views of human nature and human society, cannot be without its good effects.

Let us say a few words first about the direct application of ethnology to colonial legislation and policy. We must remember that slavery, "dispersing of natives," indiscriminate "punitive expeditions," and the grossest forms of reckless injustice to natives, are things of the very recent past. One has to remember only the opium war on China, the Australian "blackbirding" in the South Seas, the even more recent "transplanting" of the Hereros in German South-West Africa and the Belgian and French atrocities in Africa scarcely a generation ago. With such an attitude prevalent, it was not to be hoped that a *scientific* management of natives or native affairs could become the guiding force in colonial policy. Of course, there existed always exceptionally able and far-sighted administrators who understood that in order to govern, one must know the human material. We owe, indeed, some of our best ethnographic information to men like Sir Everard im Thurn, Sir Richard Temple, Captain Francis Barton and other colonial officials. Also, many missionaries understood well that in order to spread a new creed, it is necessary to study thoroughly the existing religion and morality, which have to be supplanted and ultimately destroyed. But neither the religious nor the civil transformers of savage societies, as a body, took any trouble about a systematic, purposeful study of the material on which they were going to work and about the application of this study to practice. And even now, with the possible exception of Holland, none of the colonial powers in existence to-day seems to be willing to spend much money or effort on summoning the help of science to their difficult task of managing the subject native races.

And yet there are problems of high importance, where no haphazard methods, no rule-of-thumb acquired in a few years' colonial experience can be of any use. The most sinister of these problems is that of the gradual dying out of the majority of native races. The survival of natives—apart from humanitarian, æsthetic or moral considerations—is a matter of vital importance for practical purposes. Are the South Sea colonies to be repopled by imported yellow or Hindu labour or are they going to be left to waste, since white labour seems absolutely inadequate? The first course creates a serious political danger, the second means ruin. Millions of money—if we overlook the millions of human lives—are at stake and yet no serious effort has been made by the administrators to assess the danger and try to find out a cure for it.

For a field ethnologist, however, there is an overwhelming mass of evidence to prove that remedies for this dreadful danger are within reach. Broadly speaking, the evil is mainly caused by the destruction of all vital interest for the native, by taking away from him of all that was dear and valuable to him, of all that gave him the joy of living. Whole departments of tribal law and morality, of custom and usage, have been senselessly wiped out by a superficial, haphazard legislation, made in the early days often by newcomers unused to native ways and unprepared to face the difficult problem. They applied to the regulation of native life all the prejudices of the uneducated man to anything strange, foreign, unconventional and to him incomprehensible. All that would appear to a convention-bound, parochial, middle-class mind as "disgusting," "silly," "immoral," was simply destroyed with a stroke of the pen, and, worse, with rifles and bayonets. And yet to a deeper knowledge, based on real human sympathy and on conscientious scientific research, many of these "savage" customs are revealed as containing the very essence of the tribal life of a people as something indispensable to their existence as a race.

Imagine a board of well-meaning, perhaps, but rigid and conceited Continental bureaucrats, sitting in judgment over British civilization. They would see thousands of youths and men "wasting their time" over "silly" games, like golf, cricket or football, in "immoral" betting, in "disgusting" boxing or fox-hunting. "These forms of sport are *streng verboden*," would be their verdict! For it is a fact that we Eastern or Central Europeans—I, a member of the Polish *Intelligencia* as well as the average cultured German—feel exactly as I have just written about certain forms of English sport and especially about the great importance and the great amount of time given to it in this country. Yet, anyone looking from an ethnological point of view on this problem would soon see that to wipe out sport, or even to undermine its influence, would be a crime, as it would be an attempt to destroy one of the main features of national life and national enjoyment.

The savage, like anyone else, must have his pastimes and amuse-

ments, his sports and pleasures, which give zest and meaning to his life. Some of them are really fine, æsthetic and significant, beneficent, hygienically and psychologically, and devoid of any harm whatever, even from the point of view of European morality. I have watched and taken part, time after time, in Melanesian surf bathing, in yachting on the Lagoon, in open air play, as well as in some of their big tribal festivities, with floral distributions, customary games and exchange of gifts. For weeks and months have I watched native dances, performed in a manner monotonous to us, though beautiful and extremely important to them, and at the same time, of an absolutely Puritanical chastity.

Yet the ignorant and pedantic morality-monger, whether clerical or official, cannot help scenting some sexual mischief, wherever he finds amusement and pleasure. In my experience of almost all tribes, I have found some sort of disapprobation, or actual interference, on the part of missionary or Government authorities with the amusements, and especially with the dancing, of the natives. In the Trobriand Islands in the N.E. of New Guinea, no elements of sex enter at all into their dancing which, in part, consists of conventionalized imitation of animals, but mainly is a performance where athletic, rhythmic and musical skill is exhibited. Strong passions of vanity, ambition and rivalry are displayed, but sexual *libido* is entirely absent. None the less, some missionaries try to eradicate this "evil," though an exceptionally enlightened one—Mr. Gilmour, a Methodist—did all he could to prevent this meddling. On the south coast of New Guinea, in and around Port Moresby, the use of drums has been prohibited for years, half of the public life of the natives being thus completely paralysed. This happened because the Administrator of the colony, entirely ignorant of, and out of touch with, native affairs, but very much under missionary influence, had been persuaded that drums serve immorality!¹ In the district of Dobu, in the d'Entrecasteaux Islands, the native flute has been tabooed by a missionary, who was at the same time Government agent, because it had been suspected that love messages were sent by means of certain melodious strains, and there was no guarantee that they could not be used in an ungodly manner—nay, for adulterous purposes!

The tragic humour of all these cases—because for the natives it is a tragedy to be deprived of half their pleasures—consists in the fact that in one and all of them the scented "evil" did not exist, as I can vouch on the basis of careful ethnographical inquiries. Thus, through mere ignorance, mental laziness and that hypocrisy which shrinks from even touching pitch, a good deal of real mischief has been and is being done, by wanton destruction of certain customs,

¹ This prohibition was withdrawn after a few years by Captain F. Barton, the new Administrator. It may be said at once that Captain Barton, a friend and collaborator of Professor Seligman, must be counted as a genuine ethnologist.

which, by all standards, even by the most rigid ones of the very destroyers, are perfectly innocent, and which possess at the same time a high biological value to the natives.

I have given these examples to show that, even without deepening their essential outlook on the world, and merely by increasing their knowledge of the natives, and their capacity for ethnographic inquiry, the modern petty inquisitors of primitive life could be saved from committing some of their worst crimes. But it would be much better if ethnographical knowledge could altogether change the average white man's whole outlook on savage morality. For there is no doubt that, taking native life as a whole, the element of sex plays a great part, and that it appears in certain forms which at first sight shock the white man's sense of morality. Although we find, even among the lowest savages, some tribes where strict chastity of girls, fidelity of married women and a monogamous marriage are laid down and enforced by usage and custom, yet in the majority of cases, general laxity, licentious, sometimes grotesque, customs and institutions, and a much greater overt cultivation of crude sexuality obtain. And this seems to show that there must be some biological reasons why primitive mankind lives and thrives under such conditions. To attempt a radical, complete change of all this by a few talks with the natives would seem to anyone with an even mediocre biological and sociological training, absurd from the outset. One might agree with the missionary principle that a change is here necessary, if the natives have to come into contact with large numbers of white men and women. In this case one might agree, thus far at least, that certain of the worst crudities and public obscenities should be eradicated, since they would be intolerable to the white onlookers. Again, that gradually the general licence should be limited, even if it were only to protect the natives from the spread of venereal disease, which the European brings, side by side with his "higher morality." But such gradual and selective change must be done carefully, with a deep knowledge of human nature, as well as of the local customs, that is, under expert guidance from ethnology.

A rapid and indiscriminate suppression of all sexual licence, in the first place never succeeds completely, and in so far as it succeeds partially, produces results which one must assume are not those desired by the reformers. In the Trobriand Islands, where sexual laxity is very great, unnatural vice, perversion or homosexuality and bestiality have been completely unknown. The only cases now on record are three or four of natives who have come under the influence of the white man's morals. These exceptions, which have, of course, been cast forth from the fold as black sheep, and sent back to their villages, are looked down upon with an amused contempt and disgust by the uncontaminated savage. The psychological and physiological mechanism of these cases is obvious. If you take a number of people from a community where an almost daily satisfaction of the sexual instinct is considered an absolutely legitimate and

necessary right of a man and woman, and if you then divide the sexes and coop each up into separate compounds, their powerful passions and instincts will turn into wrong channels. This example, as all others which have come under my notice through field work or reading, shows unmistakably how dangerous it is to tamper ignorantly with that most powerful human instinct, sex, and with the various regulations and liberties which a natural biological and social development has built up round it. Another aspect of native life, against which the destructive reform of administrator and missionary alike has to turn at the very outset, is warfare and all forms of fighting and raiding between the tribes. Especially cannibalism, so repugnant to our gastronomical and moral principles, arouses the European's ire and zeal for annihilation. It is quite comprehensible, of course, that the pioneer preacher or magistrate is keen on putting an end to cannibalism before it puts an end to him. Since "*l'appétit vient en mangeant*," it is better to prohibit consumption of black flesh, or some day a gourmet may feel a craving for a white dish. And, seriously speaking, even the most antiquarian of all ethnologists would not plead for the preservation and fostering by white authorities of cannibalism among the savages.

For similar reasons, it is an invariable rule to stop all hostilities among the natives, and to prohibit the use, and even the possession, of arms. For, with savages bearing arms, there is no knowing when they would turn them against Europeans. For reasons of self-preservation, therefore, the European finds himself compelled to disarm the native, and paralyse the free use of some of their most important activities.

But though one can admit fully the cogency of the white man's case, some ethnological insight shows that it is by no means simple. First of all, it would be good to make it quite clear to ourselves that it is sheer hypocrisy and humbug to pretend that the prohibition of fighting is done for the good of the natives. I may add at once that I am a convinced pacifist, that I believe that modern warfare cannot in any way be shown to be beneficent, that, indeed, ever since the invention of firearms, war has lost all its redeeming features and has remained an unmitigated evil.

But savage warfare is something quite different, the toll in human life and suffering which it takes is as a rule relatively small. On the other hand, it provides a wide field for physical exercise, the development of personal courage, cunning and initiative, and the sort of dramatic and romantic interest, the wide vision of possibilities and ideals, which probably nothing else can replace. I am speaking here, of course, of savages, and all these expressions must be translated into savage values. Also, there is no doubt that in some cases, especially when any more powerful people wages war on its weak and inferior neighbours, as frequently happens, especially in Africa, then war becomes almost as bad as it is between European nations. But

in no case is the mental anguish and suffering of a native comparable to that of a civilized man.

In many cases, again, savage warfare is nothing worse than a dangerous sport. In the Trobriand Islands, British New Guinea, in a big war, where a couple of thousand warriors took part, the total casualties might amount to half-a-dozen killed and a dozen wounded—nothing compared to a baseball match! And such a war afforded excellent amusement, exercise and development of personal qualities to large numbers of men for several weeks. Warfare on the south coast of New Guinea, with the wonderful treetop fortresses, with long marches in the jungle, moves and counter-moves in difficult country, was perhaps a trifle more severe but not much, and even more romantic. Round the east end of New Guinea, where cannibalism and head-hunting flourish, the natives had the unpleasant habit of making nocturnal raids, and of killing without any necessity, and in an unsportsmanlike manner, women and children as well as combatants. But when investigated more closely and concretely, such raids appear rather as daring and dangerous enterprises, crowned, as a rule, with but small success—half-a-dozen victims or so—rather than as a wholesale slaughter, which indeed they never were. For the weaker communities used to live in inaccessible fastnesses, perched high up above precipitous slopes, and they used to keep good watch over the coast. Now, when European rule has established peace and security, these communities have come down to the sea-coast and to swampy and unhealthy districts, and their numbers have rapidly diminished.

Thus, the establishment of peace and safety is by no means an unmixed blessing, and it is always deeply resented by the natives themselves. And even here where the case for the eradicating and paralysing reformer is the strongest, we can legitimately ask the question, whether the reforms could not have been done with less wholesale destruction. Perhaps while forbidding the more bloody and pernicious types of fighting, some sort of milder forms might have been left so as not to unman the natives completely. Perhaps some sportive imitations of warfare might have been permitted without bloodshed, yet allowing the savages to settle their quarrels and satisfy their ambitions in this manner. These suggestions are not entirely fantastic, because in some cases the natives have themselves tried to provide such substitute activities. In this manner, there would remain the healthy exercise, the means of developing personality, of maintaining tribal rivalry and individual ambition, while all real and imaginary dangers would be entirely obliterated.

But the policy, both of administrator and missionary, has been quite the reverse. To take examples again from my personal field of observation in Eastern New Guinea, all war canoes were destroyed; club-houses and communal sitting places associated with head-hunting and cannibalism, but fulfilling many other functions besides,

were made to disappear; social organizations referring primarily to warfare were abolished.

I could still multiply examples from other aspects of native life, besides the two most "shocking" ones, sex and warfare. Thus all savage belief, myth and ritual is evil growth in the eyes of the missionary, to be weeded out and burnt. That, of course, is his business. It is all very well to call everything which a native believes "superstition," and to try to import "true faith" instead. But the fact is that a savage community has obtained its religion as the product through centuries of natural development, and that it suits savage mentality and their social organization perfectly well, whereas European religion cannot be grafted on to an entirely different social, mental and moral soil, and requires an absolute upheaval of all the natives' own civilization before it can be introduced at all.

A series of customs again arouses the indignation of the benevolent hygienist, who pounces especially on burial arrangements, and on some of the practices of mourning. In some tribes, where the burial of the dead in the village is considered the first duty of filial piety, the European has compelled the bereaved family to bury their dead in the bush, upsetting thus the whole aspect of religious ritual and of social organization. Here once more we can question whether the negative good of preventing just here and there an isolated, unhygienic mode of behaviour is not outweighed by the positive evil of destroying much that is the mainstay of tribal life.

Everywhere the same fanatical zeal to prune, uproot, make an *auto-da-fé* of all that shocks our own moral, hygienic or parochial susceptibilities, the same ignorant and stupid lack of comprehension of the fact that every item of culture, every custom and belief, represents a value, fulfils a social function, has a positive, biological significance. For tradition is a fabric in which all the strands are so closely woven that the destruction of one unmakes the whole. And tradition is, biologically speaking, a form of collective adaptation of a community to its surroundings. Destroy tradition, and you will deprive the collective organism of its protective shell, and give it over to the slow but inevitable process of dying out.

To draw a moral, I am going to put the case briefly: there is much in native life that has to succumb to the contact with European influence. There is a good deal which is already undermined by missionary teaching and by indispensable claims of European interests and European prejudices. When, therefore, the legislator and administrator, in a burst of uncalled-for reformatory zeal, further prune and uproot much of the native's tree of life—is there no urgent need to stop and think? To invoke the advice of dispassionate study and scientific expert opinion?

I have only touched on the one, though the most essential point, where scientific study ought to be taken into the councils of colonial administration and legislation, that, namely, of preserving the integ-

riety of tribal life as far as possible, so as to prevent complete extinction. It would be easy to adduce many other very telling instances, if opportunity were offered to go into the matter more deeply and with more detail.

I want, however, to say a few words about the second great chance for ethnology to become really useful in human affairs, that is by serving as one of the most important foundations for a general science of Man in his mental and social nature. Whether we call such a science Sociology or Social Psychology, or Philosophy of History or Politics, is of no great importance as long as we agree that it must be based on a purely empirical basis and that it must aim at real utility in the conduct of affairs.

Although the present political atmosphere seems hardly conducive to optimism, there is no doubt that a better knowledge of the social mechanism would lead to a better appreciation of their *real* interests by the various conflicting groups and classes. In the present endless strife of group egoisms—national interests, class interests, racial interests—the introduction of the scientific spirit of dispassionate research would necessarily lead to a broader and more conciliatory attitude. A sober and heart-searching inquiry as to “What are we fighting for? What can we hope for from the defeat of our antagonists?”—might lead us to understand that co-operation and constructive work are more beneficial to both parties than hatred and opposition. Perhaps, even, not only to understand this truism, but even to act on it! Such an attitude in itself, apart from the more concrete and detailed counsels afforded from social study, would be a powerful gain to true progress and would, therefore, be an achievement of real practical value. A systematic exposition of this attitude—based on all available material scientifically formulated—will be the Sociology of the Future—The New Humanism—and, indeed, much of the Sociology of to-day has already fully justified the hopes and anticipations in this direction.¹

Now if this New Humanism is to have sufficient force to shape human ideals and even to influence policies, it must be based on a *really scientific* knowledge of human nature. This knowledge must, therefore, be empirical. But how and whence is the sociologist to draw empirical material? Where can he obtain observations of changes occurring through variation in conditions? The ready answer to this is: there is history which teaches us the fate of humanity throughout the moving ages and changing conditions. Here, however, it is necessary to consider a point of extreme importance, though of almost philosophic subtlety. The only knowledge of

¹ To mention only efforts on British soil, there are the excellent works of Professor Hobhouse, Mr. and Mrs. Sidney Webb, Dr. Westermarck, Professor Graham Wallas, Sir William Beveridge, and others; in fact, all the theoretical work carried on in Sociology, Economics and Politics at the London School of Economics. Also we might class here the many valuable attempts at Social Reform based on scientific research.

past history we possess, we owe to the testimony of chroniclers and historians of past ages, whose views on social matters and human nature widely differ from our own. They were entirely unfit to act as our vicarious observers, except in certain aspects of history, aspects which the most modern historian tends to consider as rather superficial. Aristotle was a great genius and had an encyclopædic knowledge of contemporaneous science. Yet the modern physicist would not rest content in founding his theory of electricity on Aristotle's observations! Great men though they often were, the chroniclers of the past can give us poor stuff only as foundation for the less obvious problems of sociology.

Social theory, as well as natural science, constantly opens up new vistas, discloses new ranges of facts, and on these the documents of past ages, as a rule, say nothing or very little and that indirectly. To the chronicler—who as often as not was a courtier—the court gossip, the often inglorious exploits of the monarch, of his ministers and mistresses, were more important than an obscure economic change slowly working its way among the peasants or artisans. Only after a social phenomenon flared up in the form of a civil war, revolt or other dramatic and sensational event, would the average chronicler take stock of it. To the exponents of the modern tendency in history—popularly and brilliantly set forth in Mr. H. G. Wells' recent work on history—it is just the fundamental forces of human society, the forms of social constitution, the types of economic organization, the great moral, religious and philosophic tendencies of an age that matter above all. The great men and the great masses alike make history, in mutual interplay or co-operation. To speak of leaders and forget the led is an error of method.

This new tendency in history meets insurmountable obstacles in the inadequacy of the historical chronicles. There are, of course, the indirect sources, deeds, legal documents, account books and such like, but how meagre and oblique is their testimony! How often a historian must dream of being transported into the period of his researches, of becoming his own source and vindicating his conclusions by direct observation!

But what never can be vouchsafed to a historian, is given in a full measure to the field ethnologist. What *time* has hidden from us for ever, *space* keeps preserved for a while, and under the modern conditions of travel reveals easily to an ethnographic explorer. In the various parts of our globe, there exist phases of civilization as far removed from ours as the Middle Ages or Classical Antiquity, as the Homeric Epoch or the Neolithic times. To the old-fashioned historian who hunts after kings, great men, heroes and sensational events only, the study of the various non-European cultures will not reveal much of interest. To the modern sociologist-historian, the records of a scientific field ethnologist will be very stimulating.

The field ethnologist, who studies the various types of civilization under varied conditions, is the only sociologist who can, on a large

scale, do anything comparable to an experiment in social matters. He can observe the differences in human mental constitution and human social behaviour under the various forms of physical and mental environment, as divergent as physical and mental nature will allow.

The opening up of a new vista of forgotten civilization gave the first great impulse to Humanism: that of the Renaissance. In the eighteenth century the work of Lessing and Winckelmann threw a new light on the classical cultures, and especially on the relative value of the Greek and Latin contributions, and there came again a new revival of humanistic studies. Humanism was broadened again in its scope and subject matter by the inclusion of Sanskrit linguistics and literature and the comparative study of Indo-European cultures and languages. The most important final step was taken when modern anthropology became a science in the achievements of Tylor, Robertson Smith, the *Völkerpsychologen*, Bastian, Morgan and Lubbock, and in its most modern development with the great works of Sir James Frazer. This new development, the placing of sociological and historical theory on the broadest basis of comprehensive comparison of all civilization, including those of the savage races, may be called without too much pretension the New Humanism.

This New Humanism has, however, its obligations and duties, as well as its claims and privileges. So far, ethnological research, whether at home or in the field, has shown too much of a tendency towards the sensational and singular, towards isolating customs and beliefs of an outstanding, striking character and towards treating them as a collector treats savage "curios." There was a tendency with the travellers among native races to skim the surface of tribal life in search of queer and quaint peculiarities. Barbarous mutilations of body, as well as distorted, incongruous beliefs, have been recorded very much as scandals or monstrosities are reported in the yellow press to satisfy our craving for the sensational and strange. We have excellent accounts of the dreadful rites of subincision in Australia and infibulation in the Sudan, of "survivals of primitive promiscuity" in Fiji and "group marriage" among the Dieri. Not that all these subjects are not of the greatest importance: but they are not the only facts worth study. These sensational plums stick in a very ordinary cake of the drab, commonplace tribal life, in which the native does and lives through many phases very much resembling our own conditions. And it is the *need of studying all the phases of native life* that I am urging here, attractive and ugly, sensational and commonplace alike.

This, of course, is not an entirely new outlook, because it is to be found in the works of Sir James Frazer, Prof. Huxthorne, Dr. Marett, Prof. Westermarck, and all those who attempt to reach the deeper layers of magic, religion, social organization and primitive social order. All these problems cannot be solved, except by a deeper analysis of big complexes of cultural phenomena, of whole aspects of

human civilization. Again, in ethnographic field work the research done by trained men of science—inaugurated by the memorable Cambridge Expedition to the South Seas, by Haddon, Ray, Rivers, Seligman and others—has, or ought to have, put once for all an end to mere curio-hunting in ethnology.¹

But although the tendency to shift the main weight of scientific attention from isolated details and striking curiosities to comprehensive groups of fundamental ideas is fully acknowledged by the best modern writers—by the late Dr. W. H. R. Rivers, of Cambridge, more consistently and explicitly than by anyone else—this tendency must be followed up further yet. Thus, for instance, there are still whole aspects of tribal life to which hardly any deeper attention has been paid. Even in our best monographs on native races, the *economic* aspect is almost without exception completely neglected. This is, no doubt, due on the one hand to the preconceived idea, which we all tend to have, of the extreme simplicity of primitive economics; on the other hand, it is just this aspect which presents to the observer the least sensational, the most obvious appearance, which promises no surprises or thrills of any sort. Yet this very aspect is of such great importance and of such an obvious one that a whole school of philosophers attribute to the economic organization the rôle of primary cause in all social change. This materialistic view of history, as it is called, is no doubt a metaphysical exaggeration of an important truth, but the neglect of the economic in ethnological field work is an interesting symptom of the need to reform its method still more thoroughly in the direction of a *comprehensive treatment of all aspects of tribal life and their correlation*.

This postulate, if carried through, will do away to a great extent with the sensational character of much of our ethnographic knowledge. A belief, which appears crude and senseless in isolation, a practice which seems queer and "immoral," becomes often clear and even clean if understood as a part of a system of thought and practice. From this point of view, it is all important for the field ethnologist to try and assimilate thoroughly the ideas and ways of one single tribe and spend a good deal of time over it, rather than skim through a considerable number of tribes, though this latter is from some points of view an indispensable supplement of the first type of work. To borrow the terminology of Dr. Rivers and his opinion: in the present state of ethnography *intensive* field work is even more urgently needed than *survey* work.

The future development of ethnology lies in its rôle of first hand-aid to a general theory of human society, a theory trying to

¹ Recently the generous endowment by Sir Peter Mackie, of the Mackie Expedition to Central Africa, organized and directed by Sir James Frazer and carried out by the Rev. J. Roscoe, and the financing by Mr. Robert Mond of the Mond Expedition to New Guinea, are hopeful symptoms that funds and initiative will be forthcoming to foster ethnological field work, carried out by competent observers with academic training.

achieve a deeper grasp of human nature and of human history. Such a theory would give us, within limits, the power to foresee the course of events, and in a dim future, when this power is universally recognized, it might improve and influence those in authority. It would also—and this is of no lesser value—be useful in creating a saner attitude, finer and wider ideals in the minds of men. For the destinies of mankind are shaped not only by the policy from above, but also by the slow, invisible changes which are always at work in all the individuals of a community.

From this point of view there can be no doubt about the *practical value* of a New Humanism, a broad philosophic view of the laws of human society and human nature, based on a strictly scientific study of the widest range of facts at our disposal. And it is not so far-fetched an idea as might at first seem, to appeal to the savages for some light to be shed on our own nature. For nothing stimulates research and understanding as much as contrast and comparison, reached through the widest possible empiric survey of facts. Just as the psychology of normal human beings has received much help and stimulus from the study of mental disorder, so the social science of modern man and of the historical periods can look for much inspiration and assistance from ethnological researches.

The Bryce Conference on the Reform of the House of Lords

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THE resolutions for the Reform of the House of Lords, which have been foreshadowed in the King's Speech for the last three years, were introduced into the House of Lords on July 18th of this year. A large number of the leading peers expressed their preference for the scheme worked out by the Bryce Conference. An account of this Conference may, therefore, be of use to those who intend to follow the future discussions upon the subject.

The "Conference on the Reform of the Second Chamber" was set up by the Prime Minister in 1917. It consisted of thirty members, drawn from both Houses of Parliament and from all parties, with Viscount Bryce as the Chairman. Its discussions cover a survey of practically every device proposed for the solution of the Second Chamber problem. The Conference published no evidence or detailed record of its proceedings. But I have had access to its minutes and memoranda which, without including anything of a confidential nature, afford the material for the following article.

The thirty members of the Conference included all opinions, from the leading champions of the House of Lords in the contest over the Parliament Act to advocates of the single-chamber system. The hope that this body would reach unanimous conclusions was soon seen to be unattainable. No report, therefore, was issued, but a letter was written by the Chairman, Lord Bryce, to the Prime Minister, indicating the course of the discussions and stating that, while conclusions had been reached on many points, they were those of a majority only. Individual members, therefore, were not bound to all recommendations, although prepared to acquiesce in the scheme as conveying what proved to represent the general view of the Conference as a whole.

Although the Conference itself was unable to follow a fully systematic order in its discussions, the development of opinion within it can be best followed by examining first the proposals for the constitution of the new Second Chamber and then those for the powers which this Chamber is to exercise.

At the beginning of the discussions, it was agreed that the existing House of Lords should select only a minority of the Second Chamber, and that, in order that the remainder of the Chamber should not contain any element of privilege, no property qualification should

be needed either for its members or its electors. The discussions as to how the bulk of the Chamber should be selected opened with suggestions including, as might be expected, all the main schemes that exist either in the Dominions or foreign countries. These suggestions fell into four main classes :

1. Direct election by large constituencies on the plan of the Australian Senate and that of the new Legislative Council of New Zealand.
2. Nomination—for a small proportion of the Chamber—in order to secure the presence of persons of eminence not actively concerned in party politics.
3. Election by Local Authorities grouped together in geographical areas, on some such plan as that suggested by the French Senate.
4. Election by the House of Commons.

The first of these plans—that for direct election—receded into the background at an early stage of the discussions. The first principle that was generally accepted by the Conference was that the Second Chamber should not possess co-equal powers with the House of Commons, and in particular should not exercise direct control over the Executive Government with the power of making and unmaking ministries. This principle ruled out a directly elected Second Chamber, which it was felt would tend to become a rival of the House of Commons and be able logically to claim co-ordinate authority. It was also urged that large constituencies would add to the expense and labour of elections. It therefore became clear, before half the sittings had been held, that a majority of the Conference was opposed to all proposals in this direction.

The second suggestion, that of nomination—for at any rate a small element of the Chamber—had at one time the support of a clear majority of the Conference, in the hope that distinguished persons not closely connected with politics could in this way be selected. But it was pointed out that literary and scientific distinction do not specially qualify their possessors for the exercise of political power, and that, as such nominations would be made on the advice of the Prime Minister, they would be mainly utilized to reward party services. This proposal, therefore, disappeared, and the Conference turned to the two remaining methods, both involving indirect election.

Suggestions for election by Local Authorities had been before the House of Lords for a generation.¹ The main scheme in which this proposal came before the Conference was that the election for each area should be in the hands of electoral colleges consisting of representatives from the Local Authorities of that area, on a plan some-

¹ See Lord Rosebery's proposals, *House of Lords Debates*, March 19th, 1888; and Lord Dunraven's *House of Lords Reform Bill*, introduced March 23rd, 1888.

what similar to that adopted for the French Senate. It was, however, objected that Local Authorities are not elected with the idea of fulfilling such a purpose, and that to obtrude it into their duties would be to intensify political partisanship on issues which ought to be decided on other grounds. Liberal and Labour members of the Conference pointed out that such a plan would be unfair to them as County Councils are well known to be conservative assemblies, even in areas where the parliamentary representation is in the hands of the other parties. Behind these contentions was the belief of many members of the Conference that a Second Chamber so elected would claim to be as representative as the House of Commons, and would attempt to rival its authority. The general result was that the majority of the Conference soon made their opposition to the proposal clear, even in the modified form of combination with election by the House of Commons. By a process of exhaustion, therefore, the Conference found itself left with the fourth plan, on which its main scheme was finally based.

The election of the Second Chamber by the members of the first is the chief contribution to the solution of the problem of the relations between the two Houses which political inventiveness has made during recent years. It was suggested by Lord Rosebery to the House of Lords in 1888 as a possible means of electing a small number of members.¹ Its merits are that it creates a Second Chamber which has no claim to become a rival to the first, and that it avoids the expense, labour and confusion of a second series of popular elections. On the other hand, an equally obvious result is that it is certain to be elected on party lines, to reflect the prevailing composition of parties in the Lower House, and to be largely used as a consolation for politicians who have grown tired or who have been defeated in the election for the more popular Chamber. This partisan character is an inevitable feature of every Second Chamber, however constituted, but it so impressed a number of members of the Conference that a great part of the time of the Conference was expended in attempts to discover some device by which it could be corrected.

The most obvious method was to put the election into the hands of some further body, which, while representing the general sense of the House of Commons, would be freer from party influences. The Speaker was first proposed for this purpose, and when this was seen to be impracticable, there was substituted a small Committee of Selection of about twenty members, half to be appointed by the House of Commons and half by the new Second Chamber. The objection to such a proposal—which secured its defeat by the Conference, is that a Second Chamber mainly chosen by only twenty persons, who would not themselves be directly representative of the electorate, would command so little public confidence that probably it could not be brought into existence, and certainly it could not be

¹ House of Lords Debates, March 19th, 1888.

given any effective authority. Nevertheless, a certain number of members of the Conference were so convinced of the vital necessity of this provision that they insisted that, in the letter embodying the conclusions of the Conference, their names and opinion should be placed on record.¹

The Conference thus came finally to direct election by the House of Commons ; but, in order to prevent the party with a majority from electing a Second Chamber made up of a solid block of its own supporters, it was agreed without dissent that the election should be by Proportional Representation. This, however, would have necessitated that each member of the House of Commons should have had as many votes as there were representatives to be elected, and that he should place in order of preference dozens or even hundreds of names—a task which would not only be impracticably cumbersome, but would enable a very small combination of voters to secure the quota needed to elect a member. To avoid this, the Conference decided, by a substantial majority, to divide Great Britain into thirteen areas, and to vest the election of the representatives for that area in the hands of the members of the House of Commons sitting for constituencies within the area. An additional consequence which follows from this scheme is that the power of the party Whips will be to some extent counteracted by the influences of territorial sentiment.

The character of the Second Chamber will be profoundly affected by the length of life for which its members are chosen. Opinions in the Conference ranged from those who wished it to be elected by each House of Commons for the lifetime of that House of Commons alone—the plan adopted in Norway, and, since the Conference met, in the new Parliament for Northern Ireland—to those who wished it to be elected for twelve years. The objection urged to the first proposal was that the Second Chamber would become no more than a duplicate of the House of Commons, while the opponents of the longer periods argued that it would produce a Chamber selected on issues which had long passed from the stage, and out of touch with living public opinion. The proposal for a life of twelve years finally carried the day ; and this plan, if it is carried out, will establish the longest-lived Chamber in the British Commonwealth. It was also decided that, in accordance with the usual practice of other constitutions, there should not at any time be an election for all the seats in the Second Chamber simultaneously, but that one-third of its members should be re-elected every four years.

The question of the retention in the new Second Chamber of a representation from the existing peerage raised the widest divergence of opinion, one section objecting to any such element at all, the others insisting that the House of Lords would not assent to any

¹ They consisted of Lords Lansdowne, Loreburn, Balfour of Burleigh, Dunraven, Sydenham and Lord Hugh Cecil.

scheme which did not by this means provide for the maintenance of the historic continuity of the constitution. The final settlement, carried by a majority of the Conference, was that one-quarter of the Second Chamber, i.e., eighty-one members, should be chosen from the existing peerage in the first instance, and that this number should by a gradual process be reduced to thirty.

The problem next arose of how this section of the Second Chamber should be elected. Proposals were made that it should be chosen on the same plan as the rest of the Second Chamber, that is, by members of the House of Commons. It was, however, finally decided to vest the election in a joint Committee of ten members, five to represent the new Second Chamber, chosen by the Committee of Selection of that Chamber, and five to represent the House of Commons, chosen by the Speaker. It must be noticed that, as the number of peers is reduced from eighty-one to thirty, the places thus left vacant are still to be filled by the Committee of ten, but that their choice is not restricted to the peerage. The final result, therefore, is that one-quarter of the new Second Chamber is to be selected by ten persons who are themselves the product of a process of tertiary election.

DEFINITION OF A MONEY BILL

The Conference accepted the principle that the new Second Chamber, like the present House of Lords, should have no power over Money Bills. But at this point there arises the question of "tacking" which, while appearing at first sight to be mainly a technical one, profoundly affects the future of sound legislation. What is a Money Bill? May a Labour Government carry through a socialistic programme in a series of Money Bills and so defeat the opposition of the Second Chamber? The many hours that the Conference devoted to this subject indicate the fundamental issues that it raises.

The present position, as it has been left by the Parliament Act, is that the term Money Bill is very strictly defined and that the decision as to whether a Bill comes within that definition is left to the Speaker. This provision of the Parliament Act had been fiercely resisted as it passed through the House of Commons and the issue was again raised at the Conference. Protracted discussion proved that it is beyond the wit of man to frame an inclusive and satisfactory definition of a Money Bill, and the solution of the difficulty was sought by creating a tribunal to whom each case could be referred as it arose. The Judicial Committee of the Privy Council had been frequently suggested as the most suitable tribunal, when the Parliament Act was being debated, and this proposal was repeated at the Conference. But it was argued that the decisions would not involve the interpretation of Bills, but their broad political and social effects, and that for such a purpose a parliamentary body was more suitable than a legal one. The Conference, therefore, decided that a Finance Committee, consisting of about seven members from

each House—chosen at the beginning of each Parliament—should take the place of the Speaker as the arbiter of what constitutes a Money Bill. This proposal reappears as the fourth of the Government resolutions, with the addition that the Speaker is to be the *ex-officio* Chairman of the Committee. It is based upon the belief that the Speaker of the House of Commons cannot be accepted as an impartial tribunal in these disputes. But the real parties to such disputes are not the two Houses but the various political parties, and the impartiality of the Speaker in party conflicts is one of the most unquestioned traditions of our parliamentary system. This tradition has been already reflected in his attitude to Money Bills, on which he has insisted upon the strictest possible interpretation of what the term contains. In the sessions of 1911 and 1914-16 he refused his certificate to the Finance Bills, which accordingly went up to the House of Lords as ordinary Bills. It is not reasonable to expect that—after a party fight over a Bill—a body consisting of those who are themselves partisans engaged in conflict will be more impartial than the Speaker.

When the Conference turned to the second of the chief issues which had to be decided—the general powers which the Second Chamber was to wield—the most acute divergences of view disclosed themselves. The widest cleavage lay between the supporters of the Joint Sitting of both Chambers and those of the Referendum, as the final means of determining a disagreement between the two Houses. The opponents of the Joint Sitting urged that the House of Commons would far outnumber the House of Lords, and that, as the result of a Joint Sitting could usually be seen in advance, those who knew that they had the ultimate majority behind them would merely smother all opposition. The Referendum was opposed upon the ground that it could not be confined merely to the settlement of disputes between the two Chambers, but that, when once introduced, it must play a dominant part in the Constitution. Its suitability for such a part was attacked by the usual arguments which have been used in previous controversies on this proposal. The failure of either section to convince the other led to a situation in which at one time the only solution seemed to be that both sides should state their views in the report of the Conference without any conclusion being reached. The final result was, however, that, after informal discussions, both proposals disappeared, and the Conference came to an agreement on the third device which had been suggested for the settlement of disputes, that of a "Free Conference." The term "Free Conference" suggests a body which confers, that is, discusses and negotiates, but has no final or binding authority. It is an accurate description of the proposal in its first form, but, as the proposal developed, it was so stiffened and magnified—largely as the result of the compromise by which the proposals for the Joint Sitting and the Referendum were both dropped—that the term is quite misleading as a definition of the scheme which eventually emerged.

Under this scheme the proceedings of the Free Conference are to be secret. It is to consist of sixty members, thirty chosen by each Chamber. Of each half each Chamber will choose twenty members for the lifetime of the Parliament, and the remaining ten *ad hoc* for each particular Bill. The representatives of each House are to be chosen by the Committee of Selection of that House. A Bill on which the two Chambers cannot agree will come before the Conference at the request of either Chamber. If it is rejected by the Conference, it will die, but it may be anticipated that in most cases it will, in some form or another, come back out of the Conference to the two Chambers. The only choice they now have is to accept or reject the Bill as a whole, a point of the scheme which is fundamental, for it means that the House of Commons has finally lost control of the Bill in the form in which it was passed, and now only has before it the Bill as it has been altered by the Conference. If now both Houses either accept or reject the Bill, the matter is concluded. But, if the disagreement continues, and one House accepts the Bill while the other rejects it, there is to be a delay of one session, at the close of which the Free Conference takes it up again. If the Free Conference fails to report it back in the same form as before, it dies. But, if the Free Conference repeats it without amendment by a majority of not less than three (to ensure a substantial preponderance of opinion in its support), it then goes back to the two Houses once again. If, on this occasion, the House of Commons accepts it, it becomes law whatever may be the attitude of the Second Chamber.

The scheme is obviously a very complicated one. The first objection to it is that it lacks the simple intelligibility needed in democratic government, but its essential proposal is clear. The Free Conference can reject the Bill or can change it into any form that it decides. The House of Commons has no power in case of its rejection, and, if the Bill has been altered, even in its vital principles, must take it as it is or lose it altogether. The power of a Free Conference is, then, in the case of disputed Bills, as great as that of the House of Commons itself.

The political inventiveness of Lord Bryce and his colleagues has added one more to the possible devices by which a dispute between two Chambers can be determined, i.e., the creation of a Third Chamber which, when disagreement arises, becomes greater in power than the Second and equal in power to the First. But this fact lays bare the weakness at the heart of the whole scheme. The essential requisite, without which no Chamber could be given such tremendous powers, is that it should have an undoubted representative capacity. But the Chamber proposed is removed from the electorate by so many intermediate stages that its representative capacity is attenuated to a mere shadow. One-half is to be elected by the House of Commons; the other half is chosen by a Chamber of which one-quarter of the members are selected by only ten persons, themselves the product of tertiary election. Of the remaining three-

fourths, one-third will be the product of a secondary election about ten or twelve years old ; another third of a similar election six or eight years old ; and the remaining third of a similar election by a recent House of Commons. Finally, this Third Chamber is to sit in secret. A body of this kind, consisting of members holding their seats for twelve years, in the main elderly men far removed from contact with the people, publishing no division lists, but debating behind closed doors, might be suitable as a revisory assembly, with definitely restricted powers of suggestion ; but the proposal to set it up as able to defeat the House of Commons is impracticable in a democratic state.

The explanation of such a proposal is to be found by tracing its development through the discussions out of which it grew. When the constitution of the Free Conference was finally carried, it had not been decided that it was to be a body of any binding authority. The amendments which transformed it into a new Chamber of enormous strength were only made at almost the last moment. But no further examination was made of its constitution, which remained as it had been before the new powers had been added. Thus, on a constitution devised for a body of very weak authority, there was finally erected a Chamber of unusual strength, founded upon a basis on which it is quite impracticable to hope that any such Chamber can stand.

The Theory of Progress

By MORRIS GINSBERG

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FOR about a hundred and fifty years the theory of progress has been a dynamic agent in matters political, philosophical and religious. It has been put forward both as a description of facts and as an ethical ideal. In the former sense progress is held as a theory of reality according to which the latter is essentially a process gradually realizing or attaining its nature in time. Generally, those who take this view ascribe to mind, and even to the mind of man, a central position in the universe. At the basis of their belief in the progress of the world as a whole is a belief in human progress. Humanity comes to be looked upon as an entity possessing continuity and identity, and passing in the process of time to a fuller and more integral realization of its potentialities. In the second place, progress has also been put forward as an ideal of human endeavour, an end ethically desirable and supplying meaning and purpose to the bewildering process of human history.

It might at first sight appear that these two theories are incompatible; that if progress be a fact, if a process of development is going on in accordance with necessary laws, then the theory of progress as an ideal is meaningless. For there is surely no point in urging humanity to pursue what it cannot, from the nature of the case, but pursue. But this is, perhaps, not a very serious objection, for many of the believers in progress as a fact do not think of it as necessary, but as essentially dependent upon human effort and initiative. And it must be remembered that, though it is idle to tell anyone to do what he cannot but do, it is equally futile to put forward ideals which are not capable of realization. If progress were impossible, if Nature were not amenable to standards of value, if there were not something in the constitution of things which meets our hopes and responds to our aspirations, if man were indeed an alien amidst hostile forces, then all that we could do would be "to accept the universe," or in Promethean defiance attempt to defeat the cosmic process at every step, although such an attempt would have been hopeless and foredoomed to failure. On the other hand, if it can be shown that progress is a fact, that in the processes that constitute Nature and History there have been gradually realized ends which find a response in our nature, this fact would point to the presence of the conditions which made it possible, and this would be an incentive to us to discover those conditions, and to use our knowledge of them to maintain and further that progress. The belief in progress is thus one of the ways in which there is expressed the profound desire of man to be at home in the world, to see in Nature

an effort to realize ends akin to those that can satisfy him. Yet the theory has not always, or even long, been held. Though it is true that ideas of decadence and progress are to be found in ancient literature, the profounder thought of antiquity, though it linked up reality with perfection, did not view reality as a process in time progressively realizing ends, but rather took retrogression and progression as the ebb and flow of an unchanging sea. It therefore favoured theories of cyclical recurrence.

Even in the Renaissance such theories are to be met with. Machiavelli views the process of history as a displacement of permanent elements. The quantity of good and evil in the world remains constant. The changes that take place are purely local—if advance is made in one part of the world there is retrogression in another. Goodness may shift from one place to another like empire, but no real change for the better is effected on the whole.

As a dominant idea the theory of progress, as I have said, belongs to the last hundred and fifty years. Yet there are now signs that it is losing its hold. In a recent lecture Dean Inge has criticized it as he says "unmercifully," and Prof. Bury, in concluding his elaborate history of the idea of progress, suggests that its value as a doctrine is purely relative, corresponding to a certain not very advanced stage of civilization, just as providence in its day was of relative value corresponding to a stage somewhat less advanced. Neither of these authors has made the attempt to define the term or to lay down criteria of progress.

As a metaphysical theory, progress, as far as I can see, implies :

1. That there is discoverable a rational criterion of value.
2. That there is a necessary connection between value and existence; that the existent is, so to speak, amenable to ethical ends.
3. That the realization of values takes place gradually, in time passing from the lower to the higher or fuller.

The importance of having a criterion of value becomes especially clear when we remember the confusions that have arisen from the facile identification of evolution with progress which, above all, the influence of Herbert Spencer tended to encourage. From the theory of evolution he deduced a law of necessary progress. Progress means successive adaptation to environment, and Spencer has no doubt that eventually the process of adaptation will be complete. "The ultimate development of the ideal man is logically certain—as certain as any conclusion in which we place the most implicit faith; for instance, that all men will die. Progress is not an accident, but a necessity. What we call evil and immorality must disappear. It is certain that man must become perfect—always towards perfection is the mighty movement—towards a complete development and more unmixed good."

Spencer further thought that the process of adaptation to environment was bound to lead to greater happiness.

This theory need not be here further discussed. Huxley has disposed of it once and for all :

"So far from gradual progress forming any necessary part of the Darwinian creed, it appears to us that it is perfectly consistent with indefinite persistence in one state or with a gradual retrogression."

It is clear that adaptation to environment cannot of itself be taken as a criterion of progress. The lower animals are just as well organized for the purposes of their life as the higher for theirs. Adaptation may be reached by a reduction of wants or by increasing complexity of adjustment. The bare formula of adaptation scarcely means more than the fact of existence. The criterion of advance cannot be found in mere adjustment of inner and outer factors. In fact, Herbert Spencer himself appeals to what is really a different criterion, viz., *complexity* of adjustment between organism and environment. Evolution implies an advance to a state of increased coherence, definiteness and heterogeneity, and rests upon a double process of differentiation and integration. Mere differentiation of structure and correlative function is not sufficient. There must further be an integration of the differentiated parts, such as to lead to the harmonious co-operation of an orderly whole. We thus reach a criterion which might be applied to individuals as well as to systems.

Thus one individual or one system is more developed than another if it exhibits greater differentiation and integration of parts, and if its parts mutually support one another with a view to the functioning of the whole. This functional or teleological way of regarding things may be studied empirically or inductively and different phases of co-ordination marked out. In the higher stages it will then be seen that the correlation and co-ordination so effected is the work of mind, rests upon impulses, feelings, ideas and purposes.

Progress or development may be defined as an evolution of harmony or as the extension of the sphere and deepening of the inner unity of harmony. Since in the higher phases this is the work of mind, we may take as our guide to the problem the extension of the area of conscious control of the conditions of development.¹

It will, however, be asked what virtue there is in increase of complexity or in the extension of the sphere of organized and co-ordinated action. Herbert Spencer's attempt to deduce an essential connection between progress and happiness from the general theory of evolution, cannot be regarded as successful. Von Hartmann has shown that on the basis of that theory it is quite as possible to reach the pessimistic conclusion that progress means an increase in misery. Professor Hobhouse, however, has argued that an extension of harmony as defined by him is a rational good, i.e., is rationally desirable. For the good is primarily that which satisfies impulse—is a harmony between impulse-feeling and experience—and if by the

¹ This is the conception which Professor Hobhouse has developed with an impressive weight of evidence in his *Development and Purpose*.

rational we mean the systematic, connected, coherent, then the rational good would be the harmonious good, i.e., a harmony of harmonies. The extension of harmony must therefore be rationally good and not merely a neutral process of evolution.

We then arrive at a criterion of progress, viz., the extension of the sphere of harmony both in scope or inclusiveness and in inner unity and intensity. It may be added that on this view happiness may be shown to be an integral element in the good. For happiness may be defined as the feeling tone which accompanies the satisfaction of the deeper and more fundamental parts of our nature, and the extension of harmony, which when applied to man means the harmonious fulfilment of personality in society must carry happiness with it.

Is there any evidence for progress thus defined?

A study of mental evolution, it is maintained, reveals the gradual emergence of types of organisms exhibiting greater and greater complexity and differentiation of parts, and functioning more and more perfectly as wholes. Stages of correlation may be indicated ranging from the rough and ready responses to stimuli determined by hereditary structure to the stage at which the psycho-physical organism becomes aware of its own nature and of the conditions of development and is able to shape a scheme of purposes covering its whole life or even the life of a whole people. As we study the evolution of mind, it is maintained, we see that as the mind grows the sphere of consciousness expands, the mind becomes aware of its growth, of the conditions that limit it, capable of measuring the distance and direction in which it travels and conceiving for itself a harmonious future. A study of human history and of human institutions shows that there have arisen gradually widening circles or spheres of harmony in the course of evolution. It is not maintained that this advance has been continuous, but merely that, on the whole, the broad conditions of permanent progress have been realized. This advance has been connected with a general development in the life of mind as controlling physical conditions, but in particular our growing knowledge of the laws of social evolution, of heredity may, it is maintained, soon lead to a turning point in the history of humanity at which it will be able consciously to control its destiny, to map out the ends to be pursued, and to secure the conditions and means requisite for their attainment.

The fact of progress thus empirically ascertained, it is further argued, points to the existence of permanent conditions making it possible and, therefore, to a teleological view of reality, according to which the latter is to be conceived as a process of development, the ground of which is to be found in a mind, not coextensive with the universe, but the dynamical agent within it, a mind striving ever against conditions that limit it, to a fuller and fuller harmony. The highest incarnation of this mind known to us is "humanity," "conceived as the spirit of harmony and expanding life, shaping the best actions of the best men and women." The history of man is taken

to be a process in which the ends appropriate to the operation of the Spirit of the Universe are working out their natural results.

The strength of this argument depends on the validity of the empirical synthesis upon which it is mainly based. Let us concentrate our attention here on the problem of human progress. To most people this problem presents itself as a question whether the people of to-day are physically, mentally or morally superior to the people of 2,000 years ago, etc. Now, the opponents of progress maintain that so far from there having been progress, there is actually going on in the European peoples a process of rapid deterioration. "Civilization tends now, as always, to a weeding out of the best, and the new practice of subsidizing the unsuccessful by taxes extorted from the industrious is cacogenics erected into a principle. If so-called civilized nations show any protracted vitality, it is because they are only civilized at the top. Ancient civilizations were destroyed by barbarians; we breed our own." This and similar arguments urged by many eugenicists are based on the relative infertility of the better classes and the consequent increasing recruitment of the newer generations from the lower and less fit classes. These arguments seem to me open to the objections:

(a) They assume, generally without attempt at proof, that there are fundamental and inherent differences in racial or innate qualities between the social classes, and often also between different races. As to this it may be safely said that the evidence in favour of such inherent difference in ability is exceedingly small. Recently appeal has been made to intelligence tests, and there is a tendency in many quarters to base far-reaching conclusions on them. But it should be remembered that these tests do not entirely eliminate environmental factors, and, secondly, that as far as one can gather, psychologists are by no means agreed as to what exactly it is that is being measured by these tests. Of a great deal of what is called mental measurement it has been said that it is neither mental nor measurement. Even allowing that the tests do reveal innate differences in intelligence as between the classes, and that the lower classes are inferior in this respect, that result is by no means decisive, for it is quite arguable that they are superior or, at least, equal to the upper classes in other respects, as, e.g., in qualities of character and temperament.

(b) Generally, however, when those writers who believe in race deterioration condescend to proof, they frankly appeal to success in life as a criterion of fitness, but in that case their argument amounts to no more than the bare tautology that the best survive and that those who survive are the best. Again, even if we take success as our criterion, it has by no means been shown that differences in success are due to differences in native capacity, and it might well be argued that the existing differences in the wealth owned by the various sections of the community produce such marked differences in the possibility of their advance, that all other differences may

for the time, be neglected. Success or failure could only indicate superior or inferior ability if all other conditions were equal as between the classes. Apart, therefore, from the questionable correctness of taking success in life as a criterion of what is socially desirable, it must be maintained that so far no real proof has been given of the existence of a close correlation between success and innate capacity.

(c) As far as I know no direct empirical evidence of deterioration has been furnished.

(d) So far as the arguments are based on general biological grounds, it might be well urged that if changes take place by mutations and not by accumulation of small variations, and if, further, the law of the return to the mean is true, no permanent deterioration can take place in the race as a whole as the result of the facts of differential fertility.

But if no case can be made out for deterioration, neither can we prove improvement. There appears to have been no improvement in physical qualities, in size of brain, etc., for many thousands of years. Whether the innate moral endowment of man is better now than it was thousands of years ago it is difficult to say. Morally, it may be argued, human nature has not changed for the better, for though in actual behaviour people may be kindlier, more humane, less brutal in their pleasures and their resentments, such differences of behaviour may be due not to any radical improvement in human character, but to a difference in circumstances, in law and other institutions. In the *same* circumstances modern man is as brutal and perhaps even more so than many savages.

The theory of progress and the criterion above outlined refer, however, not to racial but to social changes. The reality of progress is asserted on the ground, not of actual improvement of the natures of human beings, but of the fact that there has taken place a perfecting of the machinery of social organization, with the result that life is fuller, that we have greater control over the forces of nature, and are generally nearer on the road to the discovery of the conditions of harmonious development; that the area of conscious control of the conditions of evolution has expanded; that there has been an expansion and growth of the social mind.

By the social mind of humanity in this connection is not meant an entity independent of the different individuals of different ages and peoples, but is a phrase indicating a growing unity of mind or spirit—not akin to the unity of the individual mind, but to the unity that is exemplified in social aggregates, in varying degrees, and which consciously and unconsciously dominates the life of the members. Now it seems to me that the believers in progress have greatly exaggerated the degree of development attained by the social mind of humanity, and even of the great nation states.

The mental forces that are operating in society are of the most bewildering character and do not impress us with the sense of effort

at system or harmony. The laws of interaction between mind and mind are largely unknown, and in so far as they are known they are used for the deliberate distortion of opinion by the processes of cumulative mass suggestion. If the people has a will it is certainly difficult to discover it. The difficulties of democracy lie, it is now coming to be recognized, not in the difficulty of finding an appropriate mechanism for the expression of the general will, but in the fact that there is no such will to express. With Huxley, we might say:

“ Even the best of modern civilizations appears to exhibit a condition of mankind which neither embodies any worthy ideal nor even possesses the merit of stability.”

Actual institutions and changes in them are not to any great extent the result of conscious thought or knowledge of the laws of social evolution, but are at best trial and error experiments at discovering a *modus vivendi*. Popular idealism is generally of the flimsiest character, and has neither consistency nor durability. Not even the trained sociologists know very much of the real laws that control social change, of the laws of biological and social heredity or of mental interaction, or even of the effects of the various types of social institutions upon life and character. As to the movement of human history as a whole, only the eye of the optimist can see in it evidence for an expanding, systematic or unitary purposiveness.

The application of the criterion of the expansion of the area of conscious control is thus not very promising. Let us now apply to social institutions the criterion of progress above laid down, viz., development of harmony in scope and inner unity. One institution is better than another if it is in the first place more comprehensive and embodies and reveals a greater number of elements; and, in the second place, if it exhibits greater integration of elements, giving each its due place but subordinating each to the requirements of the whole. Applied to society, this would mean that one order of society is better than another to the extent to which it is (a) more comprehensive; (b) exhibits greater inner articulate unity.

The higher orders of society will be those which are based not on suppression of elements, but on free and harmonious co-operation, in which there is a greater fullness of life, a greater realization of capacity, of personality, for the majority of the members constituting the society; in which there is an abundance of free associations, an absence of arbitrary authority or of subservience to it, a devotion to large and comprehensive purposes giving satisfaction to the deepest and most vital cravings of human nature.

Now, when we apply this test the answer is by no means unambiguous.

Increase in scope and complexity of organization there certainly has been. It is not difficult to show that there has taken place a gradual and steady extension of the sphere of social control or regulated order. It is also true that personal rights have been

gradually won by greater and greater numbers of individuals, at any rate in the eyes of the law. Legally, it may be quite possible to prove that there has been a development of autonomy, both of individuals and groups throughout the world. Compare the disappearance of slavery, the growth of toleration in religion, the improvement in the position of women, the extension of the franchise, the multiplication of voluntary organizations, the spread of education, and so forth. If, however, we take the harmonious development of personality as our criterion of the value of social institutions, these facts are by no means conclusive in favour of progress. If there has been an extension of organization, that very fact has brought problems with it which are perhaps insoluble. The mere possession of political rights is no real indication of genuine self-government. The spread of education has made possible an expansion of the power of propaganda by means of which there is effected a subtle invasion and penetration of personality on a tremendous scale which makes the possession of legal freedom much less of a reality than it appears. Can we really say that morality is less and less determined by mere convention and custom? Can we be sure that the influence of arbitrary authority has really decreased? Has there really taken place an expansion of the moral and mental powers of the majority of the people? Can we point to an increase of devotion to large and comprehensive ideals? Do we know enough of the nature of social institutions to lay down with any certainty the laws of their evolution and of their effect upon character? Can we say that they have led to a steady improvement in human character and behaviour? There is much in the present state of the world to suggest that social institutions are inadequate to deal with the problems which the expansion of organization and of inter-communication have brought with them, and that they will collapse under the burden of these problems. There does not seem to be enough knowledge or spiritual insight adequate to the present demands of civilization, and whatever knowledge exists appears impotent.

So far as the empirical facts are concerned, I think we may safely say that, if there has been any progress, we are much nearer the beginning of it than the end. But the reality of progress has also been asserted on the ground that the notion of conditioned purpose, i.e., the gradual realization of a world purpose of a mind operating under limiting conditions which it gradually discovers and controls, is the only one that can yield a rational explanation of the world. With the general metaphysical ground of this argument I am not here concerned, except, perhaps, to point to a difficulty that has often been urged against the application of the category of purpose to the process of development of the universe as a whole. In purpose as we know it in human activity the idea of the end precedes the activity or attainment, but such temporal antecedence is meaningless when applied to the time process as a whole, for then the ground of temporal development would itself be brought within the time

process. Be this as it may, it seems to me rash to assume that the world-purpose, if there be one, must be such as to embody, in their entirety, the purposes of humanity, particularly the purposes that happen to appeal to the Western races. "*L'anthropolatrie voilà l'ennemi*," we may quote with Dean Inge. Granting that there must be ultimate harmony in the universe as a whole, we cannot, on purely logical or formal grounds, determine the manner in which such harmony is being attained. Perhaps it can only be attained at the expense of the entire suppression of many of its elements. From the point of view of the universe as a whole, our hopes and fears, our loves and hates, our beliefs and aspirations may be of as little significance as are to us the life struggles of many of the lower animals, or the suffering of primitive peoples to the so-called civilized races. The place of human purposes and ideals in the world scheme cannot then be deduced from the formal conditions of developmental harmony, but apart from the identification of the world purpose with the purpose of Humanity, progress, even if its reality could be proved, would be ethically as neutral as the progress of the earlier evolutionists. That existence and value are intrinsically connected has often been argued. By some thinkers this is maintained on the ground of what seems to be no more than the ontological argument in a new form, viz., that the most perfect must exist. For this transition from idea to existence there is no warrant. All that we are entitled to say is that the universe must be such as to allow of ideals arising within it. Though the *is* and the *ought* must not be identified, reality must allow of ideals of moral conduct arising within it, but we cannot find in this any guarantee that such ideals must be necessarily capable of fulfilment or realization.

A further argument in favour of the connection between value and existence is that reality is only intelligible teleologically, that the notion of complete system, which is the aim of rational explanation, implies that all the parts of the universe, as developing in time, mutually support one another or are ends or means to one another. This may be granted, but it should be remembered that the notion of system is purely formal and the unity of the universe may be obtained by a transmutation and even elimination of all the ends that, as human beings, we consider valuable. The progress and persistence of the living beings that inhabit this earth and their values may be of very little significance in the universe as a whole. The problem of progress in the limited sense of the progress of humanity cannot, as it seems to me, be proved by metaphysical considerations as to what is involved in the intelligible explanation of the universe, but must be decided empirically by an attempt to mark out the actual historical stages or phases through which humanity has passed, and by applying to this historical sequence rational criteria of value as we understand them. In the way of such an attempt, there are, as it seems to me, very great difficulties. Happiness certainly is a deceptive criterion, and one, moreover, not capable of application

with any scientific accuracy even to the stages of an individual's life, much less to a nation or still less to humanity.

The criterion of the extension of harmony in personal development is more promising, but so far it has remained too formal a notion. When you try to make it concrete its application gives by no means an unambiguous answer to our questions as to the reality of progress. The control of life has expanded in area, in extent, but can we be sure that there has been a corresponding extension in the realization of spiritual values? May it not be that the complexity of our life has but added greater opportunities for discord, and that we are not really on the road to that harmonious fulfilment of ends which is taken to be an indication of the Divine Purpose in the universe?

Saint-Simon and his Influence on Karl Marx

By ALICE M. MACIVER,
Research Student.

HENRI CLAUDE, Comte de Saint-Simon, whom history has dubbed "The Father of Socialism," was a descendant of that famous family of Saint-Simon which traced its origin back to Charlemagne and which gave us the inimitable chronicler of the court of Louis the Fourteenth. Such a lineage must have included a curious assortment of ancestors, and the Saint-Simon with whom we are concerned truly can be said to have lived up to the traditions of his ancestors. The individuality of his character soon asserted itself, for at the age of thirteen he refused to be confirmed, which enraged his father to such an extent that he had him imprisoned for several months. Two years later we find him instructing his valet to wake him in the morning with the following formula: "*Levez-vous, Monsieur le Comte, vous avez de grandes choses à faire.*"

Much might be expected from a boy with such opinions, and all through life Saint-Simon fulfils these expectations to the utmost. Having served with Lafayette in the American War of Independence, the outbreak of the French Revolution found Saint-Simon full of enthusiasm for the cause of liberty. He gave up his title of Count and was elected by his tenants as their representative in the local Assembly. By this time he was already dreaming of one great system which should synthesize into one, science, industry, art, politics, and religion, and, finding the lack of money a drawback, he speculated very successfully in the sale of confiscated lands, being, in the venture, financed by the Prussian Ambassador to England. This partnership was only temporary, and as far as can be ascertained, the Prussian Minister got very much the better of the bargain, still Saint-Simon gained enough with which to marry, rent a large house in Paris, and for two years live a life of luxury and extravagance. He kept open house for all comers and attracted many men of science and literature, many of them being professors whom he engaged to teach him privately, he being at the time particularly interested in physiology and biology.

At the end of two years he had exhausted his fortune, and hearing that Madame de Staël had just been left a widow he promptly divorced his wife in order to make the former lady an offer of marriage. He justified this proceeding by pointing out that as Madame de Staël was the most remarkable woman of the age and as he was

the most remarkable man, their offspring would be more remarkable still. Unfortunately for posterity the offer was declined, but as Madame de Staël was then living in Switzerland, it is to be presumed that the incident is in some ways connected with the *Letters of an Inhabitant of Geneva*, Saint-Simon's first published work, and from the point of view of socialistic theory his most interesting.

After this Saint-Simon's life is a record of poverty and suffering, terminated by his death in 1825. During this period when he rarely had enough to eat, had no fire in winter, and worked long hours as a copying clerk, he turned out the most amazing collection of pamphlets, discourses, sketches of projected works, and unfinished fragments of all kinds. He made, as a rule, no attempt to co-ordinate his ideas into a completed whole, but insisted on considering his writings more in the nature of a correspondence with his readers, who were expected to criticize and reply. In this way he made friends with many of the leading men of the day and gathered round him a small band of devoted disciples, which at one time included Augustin Thierry and Auguste Comte. At the time of his death Rolinde Rodrigues was his favourite pupil and was entrusted with the carrying on of the master's work.

Saint-Simon's aim was to formulate a system to include every branch of life and synthesize it into one harmonious whole. He wanted to found a science of progress which by studying the past would give men a sure guide for working out the future. Every branch of human knowledge had some bearing on the problem and each had to be studied and assigned its proper place in the system. We can divide Saint-Simon's intellectual life into three divisions: the early period when he was particularly interested in the different branches of positive science; the second period when, profoundly impressed by the political events of 1814-15, he turned his attention to social and political questions; and thirdly, the last two years of his life when he occupied himself particularly with the bringing of Christianity up to date in the *New Christianity*.

The second period is the important one from our point of view, and the one to be studied when considering Saint-Simon's claim to be considered the "Father of Socialism." We have to remember that although most of Saint-Simon's works were published between 1815 and 1825, yet he himself belongs to the eighteenth century by education, tradition and social position. He is a direct descendant of the Encyclopædists, yet he lived through the Revolution, saw its good as well as its bad points, and was tremendously influenced by Condorcet, Adam Smith, and J. B. Say, so that he is a unique link between the pre-revolutionary and post-revolutionary periods. These facts have to be remembered in tracing his ideas through his chaotic writings. In regard to social and political questions his fundamental propositions are fairly obvious. A true disciple of Adam Smith and J. B. Say, he longed to abolish the then existing state and confine its activities to a few necessary functions. He

thought in industry lay the future of man and that the only productive work to be done was to increase the nation's wealth by trade, commerce and industry. To this end he advocated an industrial form of government carried on by selected experts. He divided the nation into two classes, the producers and the idlers, and predicted that as the latter class was non-essential and a drag upon the rest it would have to disappear.

In his desire to promote material wealth he points out the disutility of competition between town and town, province and province, and country and country, and he advocates a scheme for a league of nations, surprisingly like the League now in existence, by which Europe should be governed by a General Parliament in which France and Britain were to have the preponderating influence.

Saint-Simon is not a socialist in the sense of being a social-democrat. He believes that the majority of the people are a lazy, supine mass whom a good industrial government must direct and guide. It is true that in the *New Christianity* he says: "Society should be organized in such a fashion as to secure the greatest advantage for the greatest number. The object of all its labours and activities should be the most prompt and complete amelioration possible of the moral and physical condition of the most numerous class." But in discussing how this is to be done he says: "The problem of social re-organization must be solved for the people. The people themselves are passive and listless and must be excluded in any consideration of the question. The best way is to entrust public administration to the care of the industrial chiefs, who will always directly attempt to give the widest possible scope to their undertakings, with the result that their efforts in this direction will lead to the maximum expansion of the amount of work executed by the mass of the people." (*Système industriel*.)

In his famous *Parable*, published in 1819, he elaborates his attitude towards the State and society still further. He points out that if France lost all her men of genius the loss would be irreparable, but that the loss of all the nobility, and of all the dignitaries of Church and State, could be easily made good. "These facts prove clearly, though in an indirect manner, that the social organization is still very imperfect; that men still allow themselves to be exploited by violence and deception; and that the human species, speaking politically, is still plunged in immorality.

"These suppositions show that actual society is really the world turned upside down.

"Because the nation has admitted as a fundamental principle that the poor should be generous for the sake of the rich, and that in consequence the less comfortably off deprive themselves daily of part of their necessities to add to the superfluities of the great proprietors;

"Because the great criminals, the general thieves, those who squeeze the mass of the citizens; and who take from them three to

four millions of francs per annum, find themselves charged with the duty of punishing small crimes against society ;

"Because ignorance, superstition, laziness and the taste for expensive pleasures form the equipment of the chief leaders of society, and men who are capable, economical, and industrious are only employed as subordinates and as instruments ;

"Because, in a word, in all forms of occupation, incapable men find themselves charged with the duty of directing capable men ; in the present condition of society, the most immoral men are appointed to teach the citizens virtue, and in regard to distributive justice, the great criminals are appointed to punish the faults of the small delinquents." (*Parable de Saint-Simon.*)

Here may be discerned the germ of the Marxian Socialism wrapped up in what might almost be called a paternal application of the doctrines underlying *laissez-faire*. Saint-Simon's conception of an industrial State taking the place of the existing political one has much in common with the Marxian idea of the "withering away of the State," although it approximates more closely to the theories of the Syndicalists. Much of his writing on this point has what we would now call a true Marxian ring about it and it becomes obvious where Marx found some, at least, of his inspiration. Further, we could almost say that the idea of a government of experts specially concerned with economic questions could be considered as a forerunner of the present Soviet system such as is aimed at in Russia, with its crude beginnings in the Paris Commune, although Saint-Simon held that the experts should be elected by the nation as a whole.

But there are two other points which we find emphasized in Saint-Simon's writings which are even more definitely associated with Marxian Socialism. In the Genevan Letters, published in 1803, explaining his extraordinary scheme for the advancement of learning, he writes as follows : "Humanity, which I divide into three classes : the first marches under the standard of the progress of the *esprit humain* : it is composed of scientists, artists and all men with liberal ideas. On the banner of the second class is written : 'No change.' All the proprietors who do not belong to the first class belong to the second. The third class, which rallies to the word 'equality,' includes the rest of humanity."

Then he continues : "I should speak thus to the first class : Sirs, in comparison with the non-property owning class you are very few ; how does it come about that they submit to obeying you ? It is because the superiority of your education gives you an advantage over them, and allows you to combine your forces in such a way as to procure for you ordinarily the advantage in the struggle which, by the nature of things, necessarily exists between you and them."

And in addressing the third class he says : "Until now, the rich have had hardly any other occupation than that of commanding you : force them to explain things to you and instruct you ; they

make you use your arms for them: make them use their heads for you."

Here we have the "theory of the class-struggle" clearly stated for the first time, and stated in true Marxian phraseology, for not only is the inevitable conflict recognized, but the importance of the part to be played by the bourgeoisie is also pointed out, as in the famous Communist Manifesto itself. It is extraordinarily interesting to find this *cl-devant* Grand Seigneur recognizing and accepting the fact that the struggle is inevitable, and it marks a distinct advance in the development of socialistic theory.

In their conception of history Saint-Simon and Marx have still another point in common. The study of the history of communistic theory during the half-century preceding the publication of the Communist Manifesto of Marx and Engels, proves that the materialistic conception of history did not spring fully developed from the brain of Marx. We can trace it back in the works of the French Socialists through Considerant (the most distinguished disciple of Fourier) to Saint-Simon, who in reality got it largely from Condorcet, and it is probable that Hegel knew and was influenced by the works of the latter.

But Saint-Simon in his treatment of history approximates very closely to the Marxian position and makes exactly the same mistake that Marx did thirty years later. In his eyes history was a positive science. He believed that if history was properly and thoroughly studied and (so to speak) reduced to its prime factors, it was possible to foretell with certainty the future. The following extract from *La Société Industrielle* gives a very good idea of Saint-Simon's attitude of mind in this respect. "The recapitulation of society's past has proved to us that the industrial class has continually gained in importance, while the other classes have steadily lost; and we must conclude from that that the industrial class will end by constituting itself the most important of all.

"Simple common sense has given to all individuals the following argument: Men having worked for the amelioration of their lot, the end towards which they have always striven has been the establishment of a social order in which the class occupied in the most useful tasks shall be the most honoured, and this is the goal which society shall finally attain.

"Work is the source of all the virtues; work having the greatest utility should be the most respected; therefore human and divine teaching call equally to the industrial class to play the leading rôle in society."

Further, the famous quotation from the end of *De la Réorganisation européenne*, gives a clear view of Saint-Simon's conception of history as a whole. "The imagination of poets has placed the golden age at the cradle of the human race, during the ignorance and brutishness of very early times; it would have been much better to relegate the age of iron to that very distant past. The golden age of the human

race is not behind us, it is in front, it lies in the perfection of the social order ; our fathers did not see it, but our children will arrive there one day ; it is for us to clear the road for them ”—an interesting point of view for a man whose early life was passed in the midst of luxury, and whose later years of intellectual toil were rendered intolerable by lack of food and fire, and the want of money to print his writings.

From the various quotations given we gather that Saint-Simon was an optimist and a believer in that which the future shall bring to mankind. Unlike Fourier, who was a disciple of Rousseau and believed that civilization had corrupted mankind, producing inequality and poverty, Saint-Simon was inspired by the Encyclopædists of the eighteenth century, who believed that man owes to civilization his qualities which distinguish him from the brute creation, and also his possibilities for happiness. He was a great admirer of Condorcet's *Esquisse d'un Tableau historique des Progrès de l'Esprit humain*, which displays the same optimistic outlook as that of Saint-Simon and the same belief in the possibility of science bringing about human happiness. When we remember that Condorcet wrote his book hiding in a Parisian garret, and when it was finished calmly took poison to escape the guillotine, even our modern and materialistic minds cannot help being impressed.

Still Saint-Simon had no use for the word “ liberty ” as such, and pointed out that by itself it had no meaning, but he had entire confidence in the good effects of civilization and looked to a society governed by *savants* and *industriels* to bring about heaven on earth. Sometimes he seems almost to believe that two or three statutes passed by Louis XVIII would usher in the millennium. In his general optimistic outlook on life he was also inspired to some extent by Adam Smith and his disciples. Leave men to arrange their own affairs, and all will turn out for the best, said the disciples of *laissez-faire*. In some ways this was also the point of view of Saint-Simon, and his demand for State intervention was not to ameliorate the state of the workers, but merely to hasten as rapidly as possible the inauguration of the new society.

Thus from the French Encyclopædists of the eighteenth century Saint-Simon inherited his optimistic outlook for the future, and the events of the Revolution and his own miseries never moved him from that position. In this optimistic outlook he has very much in common with Marx and Engels. One of the Marxian dogmas which has had the greatest appeal to working men and women has been the inevitability of the coming of the Socialist State. Marx taught and believed that he could construct the future from a detailed study of the past, and described the course which future events would take—such as the increasing misery of the proletariat, the concentration of capital in the hands of the few, etc.—all of which would force the workers to unite and bring about the creation of the Socialist State through revolution and as everyone knows, the Bolshevists hold that

they are carrying out the true spirit of Marx's teaching. In much the same way did Saint-Simon look on history and above all he believed as Marx did in the final victory of his ideas. He believed in their victory not simply because they were his own, but because he held that history showed his predictions to be infallibly true. His unwavering faith in the coming of what we now call the Socialist State is perhaps his greatest contribution to the history of Socialist thought, and is reflected in the Marxian teaching on the same subject.

In actual method of writing there is much similarity between the two men. Saint-Simon always justifies his proposed reforms by appealing to the history of civilization in much the same way that Marx uses in the opening paragraphs of the Communist Manifesto. Bazard (the most important of Saint-Simon's disciples) says in the *Exposition of the Saint-Simonian Doctrine*: "A new science, a science as positive as all those which merit this name, was conceived by Saint-Simon: this is the science of the human species. His method is the same as employed in astronomy or physics: the facts are classified as a series of homogeneous terms, arranged in order of generalization and particularization, so as to make their tendency stand out—that is to say—demonstrate the law of increase and decrease which they are subject to." This is exactly Saint-Simon's own position which is reflected in practically all his writings.

Thus we see that Saint-Simon does deserve in some respects the title of "Father of Socialism," as he has been called, but more because of the inspiration his works gave to later writers than from the position he himself took up. In many ways his view of the future is anything but socialistic. He believed that in the industrial State the bourgeoisie would be called upon to play the most important part; as the workers are too supine to organize themselves, the Government must legislate for them and the workers themselves were to have no voice in the Government. Also Saint-Simon himself firmly upheld the right of private property, although his disciples did not follow his leading in that respect.

Yet this man with his curious and seemingly confused mind does carry us a long step further in the evolution of socialistic thought. With him we have definitely left the French Revolution behind. The words "liberty and equality" have no meaning for him. Inequality, he stoutly declares, is the basis of all human society. But in other ways he has lost the inspiration of the Revolution—democracy is to him a delusion, and through all the various schemes which he drew up for the organization of the State the note of autocracy is always heard.

To us Saint-Simon's views on the development of society are by far the most interesting and important of his theories. To his own generation this was not so. What made Saint-Simon celebrated were not his writings, which were hardly ever read, but his claim to be the founder of a new Christianity and the new Messiah. He hated clericalism and blamed the clergy for much of the misery in the

world. He considered it a conservative force which had hindered the proper development of science and industry. Therefore he desired to scrap the Church and its theology, and in its place set up a religion based on the real teaching of Christ as set forth in the New Testament. The last two years of his life were occupied in writing *Le Nouveau Christianisme*, in which these two themes predominate: "Love your neighbours as yourself," and "Religion ought to direct Society to the great end of ameliorating, as rapidly as possible, the lot of the poorest class."

In 1825 Saint-Simon died. As he lay there in his garret—his face bearing the obvious traces of poverty and suffering—suddenly and for the last time, the flame of his unquenchable spirit flared up and, turning to the small band of his devoted disciples he said: "Remember always one must be passionate in order to accomplish great things. All my life can be summed up in one thought—the desire to gain for all men the freest development of their faculties."

A few moments later and life was extinct, but the spirit which was Saint-Simon is with us still and has manifested itself in many and unexpected ways. Looking back, his immediate followers seem to have lost completely the true meaning of his teaching, but with that bizarre religious movement known as Saint-Simonism we are not concerned here. We have merely been concerned with the right of Saint-Simon to be called the Father of Socialism and we have tried to show how much justice there is in that claim.

The Ontario Government Savings Bank and Farm Loan Scheme

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MANY considered that the question of farm loans had been successfully solved in the United States by the passing in July, 1916, of the Federal Farm Loan Act, and the formation under the Act of the Federal farm loan banks and farmers' loan associations. Since then, the exemption of the Federal farm loan bank bonds from Federal income tax has evoked a great deal of criticism from such bodies as the Farm Mortgage Bankers' Association, which choose to regard the whole scheme as an effort to subsidize the farming interest for political motives at the nation's expense. Mortgage loan banks which formerly financed the farmer naturally fear that Federal land banks, by lending to the farmers at rates below those at which they can themselves borrow, will squeeze them out of existence, and accordingly have done their best to combat the validity of the income tax exemption by which the Federal land banks are enabled to sell their bonds in the market at a better price than that obtained by the best industrial issues carrying the same rate of interest. As the controversy relating to the Federal farm loan banks is still unsettled, readers will probably be interested in a scheme similar in its general character which is being organized by the Agricultural Development Department of the Government of Ontario, Canada.

In the past a certain section of the farmers in Ontario have complained bitterly of the attitude of the chartered banks towards the problem of agricultural indebtedness. The farmers have complained, rightly or wrongly, that they are being "skinned" in the marketing of their produce by a class of middlemen the only excuse for whose existence, they claim, is the reluctance and legal disability of the banks to finance farmers directly. Not even such a prejudiced thinker as the farmer is wont to belays the blame for, say, the perennial car shortage on the banks, but the farmer feels that it is because he has not the credit to carry his fortunes over the harvest, that he becomes such an easy fish for the middlemen's net.

The newspapers which represent the interests of the farmer point out that the Canadian chartered banks are organized to do a commercial business and cannot, from their nature, be expected to tie up their assets in long term loans to farmers. Banks owe a duty to their depositors and it would be unfair to depositors to expect them to cement their assets in long term loans. Moreover, it is illegal

under the terms of the Bank Act for any of the chartered banks to lend money on the security of real property. The present Bank Act was passed in 1913 and does not come up for revision till 1923. Section 7, subsection 2.c of the Act provides that a bank may not either directly or indirectly :

“ c. Lend money or make advances upon the security, mortgage or hypothecation of any lands, tenements or immovable property or of any ships or other vessels or upon the security of any goods, wares or merchandise.”

Further, a bank is restricted by law from holding real property for longer than seven years for purposes other than its own accommodation. Section 88, subsection 2, of the Act provides that a bank “may lend money to a farmer upon the security of his threshed grain grown on the farm,” and under the Act of March 14th, 1916, may lend money on the security of live stock. By prohibiting the banks from lending money on the security of mortgages on real property the law practically prohibits the banks lending money to farmers at long term. As anyone can realize who has had any practical experience of farming, the short term loan may help a farmer grow and reap his crop, but it will be of no use to him in enabling him to purchase or develop his farm permanently. One newspaper, the *Farmers' Sun*, has been carrying on a crusade, and articles have appeared in it every week advocating that the Bank Act should be so altered that banks are enabled, or even forced, to make long term loans to farmers. The Canadian farming interest is not so strong in the Federal Parliament that it is sure of inserting in the Bank Act, when it comes up for revision in 1923, all that farmers would like to see it contain, nor is it likely that banks, if they were enabled to make mortgage loans, would avail themselves of any such provisions. The Government of Ontario is admittedly a farmer's Government, and intends to deal with the problem in its own way by organizing a department under the Agricultural Development Board at Toronto, one side of which will consist of a savings department run as a bank with branch offices throughout the province, and the other side will organize farm loan associations, make long term loans to farmers directly and look after the payments and renewal of long term loans, the funds for which will be provided by the savings offices.

No effort has been made to conceal the semi-socialistic character of the enterprise, which has the support of some of the farmers, the Independent Labour Party and such bodies as the 'G.W.V.A. (Great War Veterans' Association). This farm loan system supported by a savings bank for the people is intended to remain only one feature of more extensive legislation to better the working prospects of the farmer. It is paternalism, and it may be paternalism of the right kind. Agriculture is the principal source of wealth and the backbone of all industries in Ontario, as well as in all the other provinces of Canada. For years it has been the experience of the Government, not only that many immigrants brought out from Europe

drift back to the towns, but that, in addition, farmers' sons brought up to work on the land, partly because they have come to prefer town life, but also because farming as a livelihood apparently presents fewer opportunities than it did, take up situations in the towns at low rates of wages and sell their holdings. It is intended that the farm loan system shall keep the present generation on the soil and settle immigrants of the right kind used to hard labour and skilled in husbandry. This can only be done by enabling the right type of immigrant to purchase his property.

A system similar to that now being organized in Ontario has been in operation in Manitoba for about a year and it is said has given good results. Manitoba farmers are said to have gained considerable advantages and to be perfectly satisfied with the system. The opponents of the Ontario scheme, on the other hand, assert that the Government of Manitoba have made a very costly mistake in the administration of the scheme, and the only reason why losses have not been established has been that the loans have been allowed to run on and no effort made to collect them. For these reasons alone there have been practically no evictions.

The first concern of the Ontario Government in organizing its loan scheme has been to insure the money being forthcoming by first getting the savings offices in working order. Offices have been open about six weeks at Brantford, Hamilton, Ottawa, St. Catharines, and Woodstock. Premises have been taken and additional offices will be shortly opened in Aylmer, Belleville, Brockville, Kingston, Listowel, London, Newmarket, Peterboro, St. Mary's, Seaforth, Stratford, Walkerton. It is expected that altogether thirty-five or more offices will be open and working before the end of the year 1922.

Mr. M. E. McKenzie is at present acting as director of the main office, situated at the Veterinary College, 110, University Avenue, Toronto. The Farmers' Loan Department is under the direction of the Ontario Development Board at 5, Queen's Park, Toronto. The Director of the Savings Department is responsible to the Provincial Treasury for the organization and operation of the offices. Each local office is managed by a local manager who is usually a former bank officer. The local offices are periodically inspected by inspectors sent out from the main office. The system is in its infancy and there has, so far, been no need to appoint inspectors.

The savings offices take deposits from \$1 up to an unlimited amount repayable at thirty days' notice, but normally repayable on demand. A customer receives a pass book showing each deposit and withdrawal, and his account is handled in exactly the same manner as any banking account in a bank. A cheque book is supplied to each depositor and withdrawals may be made in the usual way or cheques issued in payment of accounts. Four per cent., compounded twice a year, is allowed on all deposits whether the accounts are large or small.

One of the reasons why the postal savings department has never been a complete success has been that persons feel that they would like the assurance of being able to withdraw their money on demand in normal times. Accordingly, the Government advertises that "no notice of withdrawal is required," but it reserves the right to demand thirty days' notice of withdrawal, if at any time it sees fit to suspend the privilege of payment on demand. This power it intends to make use of only in the event of a run or other abnormal circumstances. The depositor has the full guarantee of the Ontario Government for the safety of his deposits and has no occasion to make a sudden withdrawal except to meet his business obligations.

Another reason why postal savings banks have failed to attract a large amount of deposits has been that small business men, no matter how seldom they utilize the privilege, always like to be able to draw cheques on their accounts. Like a motor-car or a sealskin coat, the ability to sign a cheque is a sign of social affluence and superiority which the small private depositor dearly cherishes. Accordingly although the offices are called "savings" offices and the accounts "savings" accounts, depositors are provided with a deposit book and cheque book just as though they banked with a commercial bank. The Royal Bank of Canada at present acts as the clearing agent and holds the central cash reserve. It is estimated that a reserve of about 10 per cent. will be sufficient. The local offices will keep a certain amount of till money to meet current withdrawals and the rest will be kept in "legal tenders" in the central reserve.

The savings offices are not intended to compete with the chartered banks for the deposits of commercial concerns, and it is figured out that it will not pay to keep an account on which more than about forty cheques a month are drawn and cashed. It is thought that the majority of depositors will not cash more than three or four cheques a month. A careful analysis of various kinds of banking accounts has been made and it is estimated that the department ought very well to pay the advertised 4 per cent. on deposits and cover its expenses, which will not be extravagant, because buildings are not being put up on the same ambitious scale that the chartered banks have built their premises. There is no maximum placed on the amount that may be taken on deposit, and an account may be opened with one dollar carrying the same checking and 4 per cent. interest facilities as an account with a larger balance. It is, of course, recognized that many of the smaller accounts will in themselves scarcely pay for their maintenance, but, at the same time, it is thought that it is well worth while to give the same facilities to the small depositor because his deposit will thereby grow and serve as an advertisement in attracting other deposits.

One reason why savings and industrial banks in other countries have failed in the past has been their inability to recruit and retain in their service a staff of trained bank managers and clerks. There is nothing very spectacular about the growth of a savings bank

usually. The number of highly paid positions is comparatively few, and promotion, from the nature of the savings bank business, is necessarily slow. The Ontario savings offices have, however, been fortunate in enlisting the services of a number of men who were formerly in the service of chartered banks. As can be imagined, there were a number of bank clerks and accountants who, on returning to Canada after the war from service overseas, were not prepared to go back to their old situations in the chartered banks, because they had not yet got used to the lack of excitement and the restrictions of an indoor life. Many of these men who, three years ago, preferred to go farming or mining, now realize that they made better fighters and bankmen than they will make farmers. They realize that farming requires skill and training, and is just as uneventful as banking. They are now anxious to return to their former profession. At the same time, during the short time they have been on the land, they have learned to respect the hardihood of the farmer and appreciate the farm loan problem from his point of view. The senior officer in the main office, 110, University Avenue, Toronto, is, for instance, a man who has had seventeen years' banking experience in the Bank of Nova Scotia. There are many other officers who have had both banking and farming experience. Since the staff of the banking and lending departments of the Agricultural Board is being recruited largely from men who have been accountants and managers in their own offices, the chartered banks have no ground for saying that the depositors' money is handled by men who have had no banking experience.

It is expected that when the system is in full working order, the deposits of the savings offices will prove more than sufficient to meet the demands of the Ontario farmers. When it has borrowed, hitherto, the Ontario Government has usually been forced to sell its bonds in New York in the open market. The supporters of the Government scheme assert that the Canadian banks, instead of lending money to local industry, prefer to lend their funds at short call in the New York market, and local industry and the farmer and the Government are accordingly placed at a disadvantage. As a consequence, the Government—or so it is asserted—has to pay unreasonably high rates of interest on its bond issues and in the past has suffered in the depreciation of Canadian funds in terms of the American dollar. It is intended to devote the surplus of the savings office funds not needed by the farmers to reduce the Government indebtedness.

The chartered banks, in opposing the Government scheme, point out that the reason why they place money at short call in New York is because no bill market and only a small stock market exist in Toronto and Montreal. Instead of taking money out of Canada to place it abroad they point out that the funds taken in by their foreign agencies and branches greatly exceed their foreign loans.

The chartered banks do not, of course, regard the Government

savings scheme with any favour. About the loaning side they are more or less indifferent, except that as taxpayers they have an interest in the money the Government is going to lose. Apart from the very natural attitude any business is entitled to take towards a department of the Government which may interfere with its business and reduce its profits, many senior bank officials take a view that nothing ought to be done by a Government which can be undertaken and is undertaken by private enterprise. Banking may, or may not, be a class of business that a Government ought to undertake. Certainly, although there is not more graft or lobbying in Canada than in other countries, it does seem dangerous to entrust the savings of the community to the management of a department run by a Government dominated by a farming interest which may utilize them to subsidize farmers by loans at unprofitable rates of interest.

The banks with perfect justice point out that they are already taxed severely by the Government. It is unfair for the Government to compete with them for deposits by offering 4 per cent. If they find they are losing deposits they will be forced to put up their deposit rate to 4 per cent., which they will be enabled to do only by charging higher rates on their loans. More than the banks, the loan companies will feel the competition of the Government savings banks. The loan companies finance themselves by taking small deposits at $3\frac{1}{2}$ per cent. Although they carry on business in a small way, they have a long and honourable tradition. They took their charters in years gone by from the provincial Government on a gentleman's agreement that their business should not be interfered with. They have never had the "sacred" monopolies of the chartered banks and never made large profits. The Government is apparently now willing to squeeze them out of existence with the aid of "4 per cent. and all checking facilities."

It does seem unlikely that the savings offices will be able to pay 4 per cent. on all deposits and at the same time give all the facilities of a bank checking account. The chartered banks have never been able to do it and the times are less propitious than ever for the Government savings plan. Still, of course, the proof of the pudding is in the eating. The Government is not proposing to make a profit out of the savings offices. If any profit is made it will go to reduce the interest on farmers' or Government loans or increase the rate of interest paid to depositors. The savings banks have these points in their favour :

- (a) They will be run on a reserve of 10 per cent., whereas the chartered banks carry about 15 per cent. The chartered banks point out that this is no advantage because the savings offices have no rights of note issue as have the chartered banks.
- (b) The chartered banks pay 14 per cent. or so dividends while the savings banks will pay no dividends. The chartered

banks point out that in addition to their capital, they have large reserves and undisclosed reserve funds so that their real dividends do not amount to more than perhaps 4 or 5 per cent., reckoned on the amount of money they have working in their businesses.

- (c) The savings offices will not be housed in such ambitious premises as the banks, which have a disproportionate overhead cost for rent. The chartered banks point out that they do not pay extortionate rents. Their premises are usually handled by realty companies owned by themselves, and rent is charged at a fair rate to the working costs of the banks. They insist that if the Government is going to allow the savings banks to occupy government offices and local town halls and so forth, if any fair comparison is to be made of the cost of their service with that of the banks, the savings offices should be charged with a fair rent and not have their accounts muddled in with those of the Government.

The loaning section of the Government scheme is entirely separate from the savings offices. Under the Ontario Farm Loans Act, 1921, and amending Acts of 1922, two types of loan are contemplated, the long term loan at 6 per cent. repayable on an amortization plan over twenty years, secured by mortgages on real property, and the short term loan made through specially organized farm loan associations on the borrowers' notes at a rate of interest not above 7 per cent.

For the advance of money on long term loans the Agricultural Development Board of Ontario is throughout responsible. The objects for which a loan may be raised are:

- (a) Acquiring land for agricultural purposes.
- (b) The erection of farm buildings essential for production.
- (c) To pay off charges existing against land at the time of acquisition by the borrower under a will or by descent.

The Board has at present no power to lend money for discharging mortgages, but a Bill has been recently introduced and has passed two readings to remove this inability. The total amount of money that can be lent to any one person is \$12,000.

The applicant must be a British subject of at least twenty-one years of age and resident in Ontario at least three years. He must have had at least three years' experience and have displayed average ability and capacity. When the scheme has been in operation some time provisions will probably be inserted to enable immigrants of the right kind to settle on the land and purchase their land freehold from the start. The applicant must be of good character and be actually engaged upon cultivating the land he proposes to mortgage. The intention of this provision is to prevent land sharks making use of the Act as a means of obtaining cheap money for land speculation.

Money is advanced at 6 per cent. up to 65 per cent. of the value

of real property hypothecated. Loan companies do not usually advance more than 50 per cent., so the farmer will here reap a considerable advantage.

Loans are repayable, principal and interest, on the amortization plan of a fixed annuity over twenty years. Thus a loan of \$1,000 will be repayable by an annual payment of \$87.18. The Act enables the borrower to pay off as much of the loan as he desires at any due date after the third year, so that if the borrower prospers, he can wipe out his obligation and compounded interest while he has the funds in hand.

The Agricultural Development Board has no power to make short term loans directly to farmers. For this class of loan the Act provides for the organization of farm loan associations.

The Act provides that a farm loan association may be organized in any part of Ontario. Any person may make application to have an association formed in his district and the Agricultural Development Board then sends the requisite application form, which must be signed by five responsible farmers in the district.

On receipt of the formal application, the Board names some competent person to act as secretary-treasurer to the association. The secretary-treasurer is the only paid official. He has custody of the money and deeds belonging to the association. He must give security for his honesty and deposit all funds belonging to the association with the branch of a chartered bank.

The secretary-treasurer calls a meeting of those interested. At the meeting the objects of the association are discussed and the need for its organization. The Board usually sends down a representative to clear up any technical details and attend to the legal formalities of incorporation.

Before an association may be incorporated it must have at least thirty members, all active farmers, willing to join. Only persons actively engaged in farming in the district, or persons who intend to become engaged within a year, are eligible for membership.

The capital of an association is subscribed as follows :

- (a) One share of par value of \$100 is subscribed by each member. A member may pay 10 per cent. of his stock on subscription and the balance when called for.
- (b) Shares of the par value of \$100 to the extent of one-half of the total amount subscribed by individual members is to be subscribed for by the corporations or local municipalities in the territory for which the association is formed.
- (c) Shares of the par value of \$100 each to the extent of one-half of the total amount subscribed by individual members is to be subscribed for by the Government of Ontario.

This last is rather a sore place in the scheme which its opponents are easily able to put their finger on. The purpose of the savings offices is partly to provide the Government with funds, but the first

step in the organization of the associations is to call upon the Government for a donation to the capital fund of the associations.

The shares of members may not be sold to other members or purchased by the association without the approval of the board of directors. This provision is intended to prevent an interested party nominating dummy members, purchasing their shares for them and later taking back the shares to obtain control.

The members of the association appoint the president and vice-president and one director. Two directors are appointed by the municipal corporations that have taken shares, and two are appointed by the Lieutenant of the Province in Council. Directors serve for two years, or until their successors are appointed.

Loans may be obtained for the following purposes :

- (a) Purchase of seed, feed, fertilizer, and other supplies.
- (b) Purchase of implements and machinery.
- (c) Purchase of cattle, horses, sheep, pigs and poultry.
- (d) Payment of cost of carrying on any farming, ranching, dairying, or other agricultural operations.
- (e) Payment of cost of preparing land for cultivation.
- (f) Fire or life insurance where required in the opinion of the directors as collateral for a loan made for any of the above-mentioned purposes.

Loans are at present limited to \$1,000, but a Bill is before Parliament which will increase the limit to \$2,000. Application for a loan has to be made on a prescribed form, stating the sum required and the purpose for which it is needed. The application is addressed to the secretary-treasurer of the association and laid by him before the directors at their monthly meeting. The directors may modify the application, in which case a new application must be made out. Loans are payable by December 31st, in the year in which they are made. They may be renewed, but not for longer than one year after the original maturity of the loan. The rate of interest must not be more than 7 per cent. After the application has been passed by the directors, the secretary-treasurer takes as security the notes of the applicant and endorses them over to a bank or other party, who is authorized to make the advance and is guaranteed its payment by the association. The rate of interest charged by the lender must not exceed 7 per cent., of which one-seventh is returned by the lender to the association. It is contemplated that this interest allowance will be sufficient to meet the expenses of the association, which will not amount to much beyond the cost of stationery and the secretary-treasurer's salary.

The association has a lien on the personal property of every kind of the borrower which he buys with the proceeds of the loan. The association is not obliged to evidence its lien in any deed of title. To prevent persons who have no notice of the loan being defrauded, any *bona fide* person interested in the financial position of the bor-

rower may apply for and be given information of any lien which the association holds on his property. The association can also establish its lien on any other personal property of the borrower by filing with the clerk of the county or district in which is situated the land of the borrower, a certificate evidencing the hypothecation.

The lender, either a person or a bank chosen by the association, makes the advance on the guarantee of the association. In the event of non-payment of the loan, the lender gives notice to the association and the association honours its guarantee and repays the lender the advance. The association then succeeds to all the equities of the lender and in the event of the borrower's insolvency may apply to a county court judge for an order to place itself in possession of any property of the borrower to which its lien attaches. The lender is not obliged to see that the borrower devotes the loan to the purposes mentioned in his application. The restraint of property and eviction of the borrower from his land is a duty which must be undertaken by the association, subject to the approval of the Board. This is said to be a weak point in the system. It is pointed out that a president, vice-president and director chosen by member farmers, and directors appointed by a local municipality, are hardly likely to evict one of their own kith and kin, no matter what the director appointed by the Lieutenant in Council may be inclined to do.

Every lender is obliged to render a return to the Agricultural Development Board of all borrowers it has on its books under the guarantee of associations, and the Development Board audits all records.

The system is intended to help the farmer where facilities do not exist, or safeguard him against exorbitant rates of interest being charged where loan companies and suchlike facilities do exist. The Board in its explanatory pamphlets points out that no loan should be given or asked unless it is to be used in some productive way. The Board in its pamphlets explaining to farmers how to set about forming associations, warns them that the scheme is not intended to provide them with cheap money: farmers are not to be encouraged to run into debt from which it will take years to extract themselves. "There are many times in the experience of carrying on farming operations when the use of a few dollars would give employment to more labour and yield a very excellent return. It is to serve such cases as this that this legislation is brought into existence, and it is hoped that it will be taken advantage of in this spirit by the local associations upon which the powers of the Act are largely conferred."

Such is the scheme. Before we give any definite opinion as to its value we must "wait and see."

Changes in Food Consumption among Working-Class Families

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WHAT is the effect upon habits of food consumption when food prices change rapidly and in varying degree? What happens when wages increase and there is more money available for the purchase of more expensive food when desired? If voluntary or compulsory adjustments are made under the pressure of food shortage, as was the case during the war, is there likelihood of a temporary or a permanent change in food customs? Is the nutritive value of the family dietary kept usually in close relationship to the nutritive requirements of the family? Or is there danger that the balance will be upset by changing conditions so that defective nutrition may result?

Certain information as the basis for reply to these and similar questions may be secured from a comparison of data on food consumption in studies of living costs at different periods, especially those made recently in Great Britain where possible causes of variation have been present to a marked degree.

Three such investigations are available for comparison. An extensive inquiry was made by the Board of Trade in the summer of 1904, and the published report gives considerable information about food consumption in 1,944 families of varying type living in different parts of Great Britain. Upon this investigation is based the system of weights used by the Ministry of Labour in the computation of its index number of changes in food costs, with the exception that special allowance is made for the increase in the consumption of margarine since 1904.

In 1918 the Working Classes Cost of Living Committee reached certain conclusions concerning changes between 1904 and 1914 as indicated by various private inquirers and by statistics of production, export and import of foodstuffs. While these figures are not exactly comparable with figures based on reports of individual families, they have been used in the present study because of the importance of measuring later changes from the best possible information about conditions in 1914.

This Committee collected much information also about living costs in 1918, and presents in its report (Cd. 8980) a detailed summary of the food consumption in 1,206 families. In 231 families the man was away on military service; these records have been omitted in the comparisons with expenditures at other dates. Ireland was

not included in the investigation, but otherwise there was little difference from the method followed in the collection of the 1904 budgets.

The most recent, and also the least extensive, study of living costs is that conducted in 1920 by a Joint Committee of the Parliamentary Committee of the Trades Union Congress and of other labour organizations. The main purpose of this investigation was to determine whether living standards had changed to such an extent since 1904 that the index number of the Ministry of Labour was no longer an accurate measurement of changes in living costs among working-class families. Because of the frequency with which wage scales are adjusted now in accordance with changes in this index number, it was felt that any lack of accuracy had wide social significance, and much interest has been aroused by the published finding of an actual increase of 189 per cent. since 1914 as against the increase of 161 per cent. shown by the index number of the Ministry of Labour. The increase in food costs was 176 per cent. as against the official estimate of 167 per cent. The evidence in the budgets does not warrant these conclusions, as shown by Professor Bowley in an article in *The Economic Journal* for September, 1921, but the detailed material on food expenditure has much value in comparisons with the earlier investigations.

Through the courtesy of Mr. R. H. Tawney and Mr. Arthur Greenwood access was obtained to part of the original schedules and the comparisons here presented are some of the results of further analysis carried out as research work under the direction of Professor Bowley at the London School of Economics.

Report will be made first upon present customs in food consumption as indicated by the schedules collected by the labour organizations in 1920. A considerable number of the schedules received had to be excluded because of a lack of essential details concerning food quantities and costs. A very small number was also excluded where meals were purchased regularly away from home, as it was felt that this prevented accurate knowledge concerning total quantities of different foods consumed. In the end only 212 schedules were used in place of the 629 schedules summarized in the published report from the Trades Union Congress. The comparatively slight difference between the averages in the smaller and larger group is indicated by the following statement :

		212 families.	629 families.
Average number of persons	..	5.13	5.24
Average weekly expenditure	..	£5 16 7	£5 15 9
Average food expenditure ..	..	£2 17 10½	£2 19 4½

In both groups were families living in England, Ireland, Scotland and Wales, in rural districts, villages, towns, and cities. There were clerical and professional workers as well as many types of skilled, semi-skilled, and unskilled workers, and the occupations seemed similar in range to the occupations as reported for the previous in-

vestigations. Although the group is small and with little homogeneity except active interest in the purpose of the inquiry, it proved to have sufficient similarity in its food expenditures to warrant careful study of the tendencies revealed.

The food cost per unit in each family was first studied. The range was from 6s. per unit per week to 31s., with the average at 14s. 1½d. ± 3½d.¹ The unit calculations were based on the following scale:

Male, over 14 years, 1; female, over 14 years, .83; children, 10-14 years, .83; children, 6-10 years, .70; children under 6 years, .50.

This is the one recommended by the Inter-Allied Scientific Food Commission, and was used in the calculations of the food cost per unit by the Cost of Living Committee in 1918.

The average number of units in a family was 4.10 ± .10. The total expenditure per week was £5 16s. 7d. ± 2s. 8d., and the food expenditure was £2 17s. 10¼d. ± 1s. 3¾d., or 49.7 per cent. of the total expenditure.

The following correlations were found for the 212 families:

Total family expenditure and number of units	.. + .533
Family food expenditure and number of units	.. + .647
Total expenditure and food cost per unit	.. + .469
Food cost per unit and number of units	.. - .518

This shows plainly how much the food cost per unit is influenced negatively by the size of the family, and how close is the positive relationship between number of units and food expenditure and total expenditure. Unless variations in size of family are taken into account in comparing the figures obtained in various studies of living costs, it would seem difficult to arrive at accurate results, for the unit cost for food will be higher if the units are few and *vice versa*. In making certain comparisons in this report the following equation has been used which is based on the above correlation between number of units (x) and total food expenditure (y):

$$y = 8.48x + 23.13 \text{ (shillings)}$$

If y represents the food cost per unit, the equation is

$$y = 21.54 - 1.60x \text{ (shillings)}$$

¹ (a) The standard deviation of the average is calculated according to the formula $\frac{\sigma}{\sqrt{n}}$

(b) Otherwise, 14s. 11¾d. is the average of the 212 sums obtained by dividing the expenditure of each family by the number of units in it; it is these sums which are correlated with the numbers of units and this average is involved in the regression equation. If, however, the whole amount spent by the 212 families is divided by the total number of units in these families, a smaller average, viz., 14s. 1¾d., is obtained; the difference is due to the fact that a smaller amount per unit is spent in the larger families. Each average has its use and both are given in Table III; the former is called "Family Expenditure per unit," the latter "General Expenditure per unit."

The next step in the study of the schedules was an effort to discover the relationship between differences in food costs per unit and the quantities and kinds of foods used. The schedules were divided into these four groups according to weekly food cost per unit :

Group I—18 schedules at less than 10 shillings.

Group II—98 schedules from 10 to 15 shillings.

Group III—66 schedules from 15 to 20 shillings.

Group IV—30 schedules at 20 shillings or more.

The foods were grouped according to their function in nutrition.

A—Foods rich in protein :

1. Meat, fish, eggs, dried beans and pease.

2. Cheese, milk.

B—Foods rich in starch :

Bread, flour, biscuits and cakes ; oatmeal, rice, etc.

C—Foods rich in mineral salts :

Potatoes ; other vegetables ; fresh fruit ; dried fruit.

D—Foods rich in fat :

Butter, margarine, lard, suet.

E—Foods rich in sugar :

Sugar, syrup, marmalade and jam, " sweets."

F—Beverages and miscellaneous foods :

Tea, coffee, cocoa, salt, pepper, yeast, etc.

In Table I will be found full information concerning the average quantity, expenditure, and price as reported per family per week for the various foods and the variations in relation to differences in unit cost. As the average number of units in these different cost groups varied considerably, as already indicated, a more significant statement is that in Table II, where the facts are presented per unit instead of per family. (See Table I, pp. 260-261.)

In Table III are the standard deviations, the deviations from the average, and the correlations of variations for various items descriptive of the entire group and of Group II with its more unified food cost per unit. Here also are statements with reference to the variation in the quantities of the more important foods and with reference to the total expenditure for the different food groups. (See Table II, page 262 ; Table III, p. 263.)

These tables show quite plainly the lines of expansion and contraction as the food cost per unit increases or decreases. Information concerning change in nutritive value according to unit cost will be found in Table VII.

A study was also made of the frequency with which the various foods were used in the different cost groups, to search for the cause of the large deviation from many of the averages. Beef, mutton, potatoes, tea, sugar, fresh milk, flour, bacon or ham, and margarine were reported by nearly all the families with little difference whether their food expenditure were large or small. More than three-fourths of the families also reported the use of cheese, fresh vegetables,

TABLE I—1920 INVESTIGATION
AVERAGE PRICE AND AVERAGE QUANTITY AND EXPENDITURE PER FAMILY PER WEEK
Grouped according to Food Cost per Week per Unit

	QUANTITY. Groups of Expenditure.				PRICE. Groups of Expenditure.				EXPENDITURE. Groups of Expenditure.						
	Under 10s.	10s. and under 15s.	15s. and under 20s.	Over 20s.	ALL.	Under 10s.	10s. and under 15s.	15s. and under 20s.	Over 20s.	ALL.	Under 10s.	10s. and under 15s.	15s. and under 20s.	Over 20s.	ALL.
A 1.	lb.	lb.	lb.	lb.	lb.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.
Beef, etc....	5.98	5.09	5.07	4.67	5.11	1 5	1 9½	2 0	2 1½	1 10½	8 6½	8 11½	10 2½	9 11½	9 5½
Bacon, ham	.77	1.46	1.71	1.57	1.50	2 7½	2 4½	2 7½	2 11½	2 7	2 0	3 6	4 6½	4 8½	3 10½
Other meat	—	—	—	—	—	—	—	—	—	—	1 3½	1 3	1 8½	1 8	1 3½
Fresh fish	—	—	—	—	—	—	—	—	—	—	0 9	1 0½	1 8½	2 1½	1 4½
Dried fish	—	—	—	—	—	—	—	—	—	—	0 1½	0 2½	0 2½	0 3½	0 2½
Eggs (each)	6.04	6.46	10.72	9.96	8.25	0 4½	0 4½	0 4½	0 5	0 4½	2 2½	2 5½	4 2½	4 1	3 2½
Egg subst.	—	—	—	—	—	—	—	—	—	—	0 1	0 1	0 1	0 3	0 1½
Dried beans	0.15	0.22	0.29	0.28	0.25	0 6½	0 7½	0 7½	0 7	0 7½	0 1	0 1½	0 2½	0 2	0 2½
A 2.															
Cheese ...	0.61	0.74	0.75	0.77	0.74	1 9	1 9½	1 11	1 8	1 9½	1 0½	1 4½	1 5½	1 3½	1 4
Milk (pts.)	10.08	11.46	10.90	12.04	11.24	0 3½	0 4	0 4	0 4½	0 4	2 11½	3 8½	3 7½	4 2½	3 8
Cond. milk	—	—	—	—	—	—	—	—	—	—	0 1½	0 8½	0 11½	0 11	0 10
Dried milk	—	—	—	—	—	—	—	—	—	—	0 2½	0 4½	—	0 3	0 2½
B.															
Bread ...	27.75	19.10	14.78	16.10	18.07	0 3½	0 3½	0 4	0 3½	0 3½	7 8½	5 2½	4 4½	4 3½	5 0½
Flour ...	10.17	11.81	10.84	5.69	10.50	0 3½	0 3½	0 3	0 4	0 3½	2 11½	3 2	2 8½	1 11½	2 10
Cakes, etc.	—	—	—	—	—	—	—	—	—	—	0 6½	0 11½	1 2	2 2	1 1½
Rice, etc....	1.01	1.58	1.39	1.34	1.44	0 7½	0 7½	0 8	0 10	0 8	0 7½	0 11	1 0	1 1½	0 11½

TABLE I—1920 INVESTIGATION—*contd.*
 AVERAGE PRICE AND AVERAGE QUANTITY AND EXPENDITURE PER FAMILY PER WEEK
Grouped according to Food Cost per Week per Unit

	QUANTITY. Groups of Expenditure.				PRICE. Groups of Expenditure.				EXPENDITURE. Groups of Expenditure.				
	Under ios.	ios. and under 15s.	15s. and under 20s.	ALL.	Under ios.	ios. and under 15s.	15s. and under 20s.	ALL.	Under ios.	ios. and under 15s.	15s. and under 20s.	Over 20s.	ALL.
C.	lb.	lb.	lb.	lb.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.
Potatoes ...	23.52	18.96	16.08	17.74	0 1½	0 1½	0 1½	0 1½	3 0½	2 8	2 4½	1 11½	2 6½
Vegetables	—	—	—	—	—	—	—	—	1 5	1 7	2 3	2 10½	1 11½
Fresh fruit	—	—	—	—	—	—	—	—	0 2½	0 6½	0 9½	1 7½	0 9
Dried fruit	0.57	0.77	1.03	0.91	1 2	1 2	1 1	1 0½	0 8	0 10½	1 1½	1 3½	1 0
D.													
Butter ...	0.34	0.70	1.14	0.87	2 9½	3 5	3 6½	3 9½	0 11½	2 4½	4 0½	4 5	3 1
Margarine	2.78	1.81	1.10	1.58	1 1½	1 2½	1 3½	1 3½	3 0½	2 1½	1 4½	1 6	1 10½
Lard, suet	0.50	0.85	0.95	0.86	1 4½	1 8	1 7	1 5½	0 8	1 5½	1 6	1 4½	1 4½
E.													
Sugar ...	4.61	3.95	3.11	3.57	1 2	1 2	1 2	1 2½	5 3½	4 7½	3 7½	3 3½	4 2½
Syrup ...	0.47	0.47	0.44	0.44	1 2	1 1	1 3	1 4½	0 6½	0 6	0 6½	0 5½	0 6½
Jam, etc....	1.07	1.40	1.29	1.36	1 2	1 5	1 8	1 6½	1 3	2 0	2 2½	2 7½	2 1
F.													
Tea ...	0.73	0.66	0.64	0.66	2 8½	3 0½	3 0½	3 2½	2 0	2 0½	1 11½	2 1	2 0
Coffee ...	—	—	—	—	—	—	—	—	0 0½	0 2	0 2½	0 4½	0 2½
Cocoa ...	—	—	—	—	—	—	—	—	0 4	0 5½	0 4½	0 4½	0 5
Miscel. ...	—	—	—	—	—	—	—	—	0 2	0 0½	0 1	0 4½	0 1½
Total ...	—	—	—	—	—	—	—	—	(2) 11/9½	(2) 15/7½	(3) 0/1½	(3) 4/1½	(2) 17/10½

TABLE II—1920 INVESTIGATION
AVERAGE QUANTITY AND EXPENDITURE PER UNIT PER WEEK
Grouped according to Food Cost per Unit

	QUANTITY. Groups of Expenditure.					EXPENDITURE. Groups of Expenditure.				
	Under 10s.	10s. and under 15s.	15s. and under 20s.	Over 20s.	ALL.	Under 10s.	10s. and under 15s.	15s. and under 20s.	Over 20s.	ALL.
	lb.	lb.	lb.	lb.	lb.	s.	s.	s.	s.	s.
A 1.										
Beef, etc....	1·01	1·11	1·42	1·67	1·24	1·44	1·97	2·86	3·56	2·32
Bacon, ham	0·13	0·32	0·48	0·56	0·36	0·34	0·78	1·27	1·68	0·94
Other meat	—	—	—	—	—	0·22	0·28	0·33	0·60	0·32
Fresh fish	—	—	—	—	—	0·13	0·23	0·47	0·75	0·33
Dried fish	—	—	—	—	—	0·02	0·05	0·06	0·11	0·06
Eggs (each)	1·02	1·43	3·01	3·56	2·01	0·37	0·55	1·18	1·45	0·78
Egg subst.	—	—	—	—	—	0·01	0·02	0·02	0·09	0·03
Dried beans	0·02	0·05	0·08	0·10	0·06	0·01	0·03	0·05	0·06	0·04
A 2.										
Cheese ...	0·10	0·16	0·21	0·28	0·18	0·18	0·30	0·40	0·46	0·33
Milk (pts.)	1·70	2·53	3·36	4·30	2·74	0·50	0·82	1·01	1·49	0·90
Cond. milk	—	—	—	—	—	0·16	0·16	0·26	0·33	0·20
Dried milk	—	—	—	—	—	0·03	0·08	0·00	0·09	0·06
B.										
Bread ...	4·69	4·22	4·15	5·75	4·41	1·30	1·15	1·23	1·54	1·23
Flour ...	1·72	2·61	3·04	2·03	2·56	0·49	0·70	0·77	0·70	0·69
Cakes, etc.	—	—	—	—	—	0·09	0·20	0·33	0·77	0·28
Cereals ...	0·17	0·35	0·39	0·48	0·35	0·11	0·21	0·28	0·40	0·23
C.										
Potatoes...	3·97	4·19	4·51	4·97	4·32	0·51	0·59	0·67	0·70	0·61
Vegetables.	—	—	—	—	—	0·24	0·35	0·63	1·03	0·48
Fresh fruit	—	—	—	—	—	0·03	0·12	0·22	0·59	0·18
Dried fruit	0·10	0·17	0·29	0·45	0·22	0·11	0·20	0·31	0·45	0·24
D.										
Butter ...	0·06	0·15	0·32	0·42	0·21	0·16	0·53	1·14	1·58	0·75
Margarine.	0·47	0·40	0·31	0·41	0·37	0·51	0·47	0·39	0·54	0·46
Lard, suet.	0·08	0·19	0·27	0·33	0·21	0·11	0·32	0·42	0·49	0·34
E.										
Sugar ...	0·78	0·87	0·87	0·97	0·87	0·90	1·02	1·02	1·17	1·02
Syrup ...	0·08	0·10	0·12	0·12	0·11	0·09	0·11	0·16	0·17	0·13
Jam, etc....	0·18	0·31	0·36	0·57	0·33	0·21	0·44	0·61	0·95	0·51
F.										
Tea ...	0·12	0·15	0·18	0·23	0·16	0·34	0·45	0·54	0·74	0·49
Coffee ...	—	—	—	—	—	0·01	0·04	0·06	0·12	0·05
Cocoa ...	—	—	—	—	—	0·06	0·10	0·11	0·15	0·10
Miscel. ...	—	—	—	—	—	0·03	0·01	0·03	0·13	0·03
Total ...	—	—	—	—	—	8·76	12·28	16·87	22·88	14·12

TABLE III—1920 INVESTIGATION

VARIATIONS IN QUANTITY AND EXPENDITURE AND IN FAMILY SIZE

	GROUP II. 98 Families. Unit Cost, 10s-15s.				ALL FAMILIES.			
	Average.	Stand- ard de- viation of group σ	Stand- ard de- viation of average $\sigma/\sqrt{n}$	Coeffi- cient of varia- tion.	Average.	Stand- ard de- viation of group σ	Stand- ard de- viation of average $\sigma/\sqrt{n}$	Coeffi- cient of varia- tion.
Total expendi- ture ...	111.25s.	29.72s.	3.002s.	26.6	116.58 s.	38.83 s.	2.667 s.	33.3
Food expendi- ture ...	55.61 s.	15.37 s.	1.552 s.	27.7	57.90 s.	19.09 s.	1.311 s.	32.8
General Food cost per unit	12.28 s.	1.34 s.	0.135 s.	10.9	14.12 s.	4.18 s.	0.287 s.	29.5
Persons per fam.	5.67	1.54	0.156	27.2	5.13	1.92	0.132	37.4
Units per family	4.53	1.27	0.128	28.0	4.10	1.46	0.100	35.5
Family Food cost per unit	12.34 s.	1.34 s.	0.135 s.	10.8	14.98 s.	4.38 s.	0.301 s.	29.3
<i>Pounds of food per week per family :</i>								
Beef, etc. ...	5.09	2.52	0.254	49.4	5.11	2.54	0.174	49.7
Bacon, ham ...	1.46	1.26	0.127	86.3	1.50	1.14	0.078	75.9
Eggs (each) ...	6.46	6.02	0.608	93.2	8.25	8.03	0.551	97.3
Milk (pints) ...	11.46	5.99	0.605	52.3	11.24	6.39	0.439	56.8
Bread ...	19.10	16.34	1.651	85.6	18.07	15.20	1.042	84.4
Flour ...	11.81	11.14	1.125	94.2	10.50	10.96	0.752	104.4
Potatoes ...	18.96	10.49	1.059	55.4	17.74	9.94	0.683	56.0
Butter ...	0.70	0.65	0.065	92.1	0.87	0.87	0.060	101.8
Margarine ...	1.81	1.19	0.120	65.5	1.58	1.20	0.082	76.2
Sugar ...	3.95	1.43	0.144	36.3	3.57	1.52	0.104	42.6
Tea ...	0.66	0.30	0.031	46.0	0.66	0.34	0.023	51.1
<i>Expenditure per week per fam.:</i>	s.	s.	s.		s.	s.	s.	
GRP.								
A1. Meat, etc.	17.68	6.48	0.654	36.6	19.69	9.68	0.665	49.2
A2. Milk, cheese	6.15	2.66	0.269	43.2	6.08	2.64	0.181	43.4
B. Bread, etc.	10.26	4.25	0.429	41.4	9.98	4.94	0.339	49.5
C. Veg., fruit	5.70	2.54	0.256	44.5	6.22	3.00	0.206	48.2
D. Butter, etc.	5.97	2.71	0.273	45.3	6.36	3.51	0.241	55.2
E. Sugar, etc.	7.13	3.34	0.344	46.8	6.83	3.21	0.220	47.0
F. Tea, etc. ...	2.74	1.07	0.108	39.8	2.74	1.13	0.077	42.4
<i>Expenditure per week per unit :</i>								
GRP.								
A1. Meat, etc.	3.90	1.13	0.114	29.0	4.81	2.06	0.142	42.9
A2. Milk, cheese	1.36	0.53	0.054	39.0	1.48	0.75	0.051	50.4
B. Bread, etc.	2.27	0.47	0.048	20.7	2.44	0.88	0.060	36.0
C. Veg., fruit	1.26	0.62	0.063	49.2	1.52	0.97	0.067	64.0
D. Butter, etc.	1.32	0.47	0.048	35.6	1.55	0.80	0.055	51.4
E. Sugar, etc.	1.57	0.44	0.045	28.0	1.67	0.61	0.042	36.4
F. Tea, etc. ...	0.59	0.34	0.034	57.6	0.66	0.33	0.023	51.1

cereals, lard, eggs, dried fruit, jam or marmalade, butter, bread, and fresh or tinned fish ; with these foods (except bread, which was used with almost the same frequency in all groups) there was a regular increase in frequency from the least expensive to the most expensive group. Of the foods used less frequently, cake or biscuits, syrup, fresh or tinned fruit, and coffee were used much more often with the higher unit costs, but the others showed little tendency to change in frequency. Under a cost of ten shillings per unit per week there was limited variety, but above this variations in price and quantity seemed much more important than variations in kinds of food used.

In Table IV will be found a comparison of the food quantity and expenditure per week per family as found in 1904, 1914, 1918 and 1920. The size of the family is taken throughout as 4·37 units (the size of the family in the 1904 study), adjustment having been made proportionately for the family of 4·21 units in the 1918 study, and for the family of 4·10 units in the 1920 study. In the 1920 adjustment use can be made also of the regression equation discussed above. If this were used in place of the increase being calculated on the basis of the ratio between 4·10 and 4·37, the weekly food cost per family would be £3 os. 2½d. instead of £3 rs. 8d. With the larger family the food cost per unit is 14s. 6½d. by use of the equation instead of 14s. 11¾d. (See Table IV, p. 265.)

The figures used for 1918 are a weighted average of those given in the report of the Cost of Living Committee for clerks and for "working classes." With the clerks the average size of family is 3·7 units and with the others it is 4·57 units, making an average for the entire group of 4·21 units. As correlation figures and standard deviations are not available for these 1918 figures, it has not been possible to work out regression equations as the basis for the change to the standard family of 4·37 units.¹ If the latter change be made, however, proportionately to the amount of change in the 1920 figures, the food cost for 4·37 units would be £2 4s. 7d. instead of £2 5s. 3d.

Table V shows the change in quantity, price and expenditure for the more important foods in comparison with 1914. This table shows even more plainly than Table IV that many adjustments have been taking place since 1904, but that the tendency in 1920 has been to return to the earlier standards of consumption rather than to increase further the marked divergences indicated in 1918. Margarine, however, is being used much more than at the close of the war, and condensed milk has maintained the increase in consumption found at that time. The consumption of rice, oatmeal and other cereals seems to be considerably reduced from the pre-war and war standard. Much less butter and sugar are being used, doubtless because of the increase in the use of margarine and syrup. (See Table V, p. 266.)

Irregularity in price increase seems to have some effect in causing

¹ See note at end of article.

CHANGES IN FOOD CONSUMPTION AMONG WORKING CLASSES 265

TABLE IV
WEEKLY FOOD CONSUMPTION AND EXPENDITURE AT DIFFERENT PERIODS PER
FAMILY OF 4·37 UNITS

	QUANTITY.				EXPENDITURE.			
	1904.	1914.	1918.	1920.	1904.	1914.	1918.	1920.
	lb.	lb.	lb.	lb.	s. d.	s. d.	s. d.	s. d.
A 1.								
Beef, etc....	6·50	6·50	3·73	5·41	4 5½	4 8	5 11	10 0½
Bacon, ham	1·38	1·15	2·40	1·60	0 11½	1 1½	5 3	4 1½
Other meat	—	—	0·96	1·0	0 6½	1 0	1 3½	1 4½
Fresh fish	—	—	—	—	0 5½	—	1 8½	1 5½
Dried fish	—	—	—	—	—	—	—	0 3
Eggs (each)	—	10·00	8·60	8·80	1 0	1 0½	2 11½	3 5
Egg subst.	—	—	—	—	—	—	—	0 1½
Dried beans	—	—	—	0·27	—*	—*	—	0 2
A 2.								
Cheese ...	0·83	0·80	0·39	0·79	0 6½	0 7½	0 7½	1 5
Milk (pts.)	9·91	8·80	11·70	11·98	1 3½	1 3½	2 11	3 10
Cond. milk (cans)	—	0·30	0·60	0·63	—	0 1½	0 7½	0 10½
Dried milk	—	—	—	—	—	—	—	0 3
B.								
Bread	32·04	32·00	24·28	19·26	2 6½	4 0½	4 0½	5 4½
Flour			8·03	11·20	1 0½		1 10	3 0½
Cakes, etc.			—	—	—		1 1	1 2½
Rice, etc....	2·95	2·53	2·58	1·54	0 6	0 6½	1 1½	1 0½
C.								
Potatoes ...	16·92	14·90	18·92	18·92	0 11	0 10½	1 11½	2 8½
Vegetables.	—	—	—	—	—	0 6½	1 1	2 1½
Fresh fruit	—	—	—	—	0 11	0 5	0 3½	0 9½
Dried fruit	0·70	—	—	0·97	0 2½	—	—	1 0½
D.								
Butter ...	1·96	1·62	0·75	0·93	2 1½	1 11½	1 10½	3 3½
Margarine	—	0·40	0·86	1·68	—	0 2½	0 10½	2 0½
Lard, suet	0·98	0·98	0·75	0·92	0 7	0 7	1 1½	1 5½
E.								
Sugar ...	5·31	5·60	2·66	3·81	0 11½	1 0½	1 6½	4 5½
Syrup ...	—	—	0·68	0·47	—	0 1	0 7	0 6½
Jam, etc....	—	—	1·55	1·45	0 6½	0 5	1 4½	2 2½
F.								
Tea	0·60	0·65	0·49	0·70	1 1½	1 2	1 5½	2 1½
Coffee		0·09	0·11	0·10	0 3½	0 1½	0 2½	0 2½
Cocoa ...		0·17	0·22	0·18	—	0 3½	0 7	0 5½
Miscel. ...	—	—	—	—	—	0 10	1 6	0 2
Meals out	—	—	—	—	1 5½	0 5½	1 2½	—
Total ...	—	—	—	—	£12/6	£13/10	£25/3	£31/8

* Included in miscellaneous foods.

TABLE V

FOOD QUANTITY, EXPENDITURE AND PRICE EXPRESSED AS RATIO TO 1914 VALUES

	Summer, 1904.			June, 1918.			September, 1920.		
	Qty.	Expenditure.	Price.	Qty.	Expenditure.	Price.	Qty.	Expenditure.	Price.
Beef, etc....	1.00	0.96	0.96	0.57	1.27	2.23	0.83	2.15	2.59
Bacon, ham	1.20	0.87	0.73	2.09	4.77	2.28	1.39	3.76	2.71
Eggs ...	1.00	0.98	0.98	0.86	2.90	3.37	0.88	3.35	3.80
Cheese ...	1.04	0.90	0.87	0.49	1.07	2.18	0.99	2.37	2.39
Milk, fresh	1.13	1.00	0.89	1.33	2.26	1.70	1.36	2.97	2.18
Milk, cond.	—	—	—	2.00	6.40	3.20	2.10	8.70	4.14
Bread, flour	1.00	0.81	0.81	1.01	1.47	1.46	0.95	2.09	2.20
Rice, etc....	1.17	0.93	0.79	1.02	2.07	2.03	0.61	1.89	3.10
Potatoes ...	1.13	1.02	0.90	1.27	2.18	1.72	1.27	2.99	2.35
Butter ...	1.21	1.08	0.90	0.46	0.95	2.06	0.57	1.68	2.94
Margarine	—	—	—	2.15	4.40	2.05	4.20	10.10	2.40
Lard ...	1.00	1.00	1.00	0.77	1.96	2.54	0.94	2.55	2.71
Sugar ...	0.95	0.94	0.99	0.48	1.52	3.16	0.68	4.28	6.29
Tea ...	0.93	0.96	1.03	0.75	1.26	1.68	1.08	1.83	1.69
Coffee	0.85	1.07	1.26	1.22	1.92	1.57	1.11	1.92	1.73
Cocoa				1.29	2.00	1.55	1.06	1.59	1.50
Other food	—	1.07	—	—	2.49	—	—	2.26	—

TABLE VI

PROPORTIONAL DIVISION OF FOOD EXPENDITURE AT DIFFERENT PERIODS

	A 1. Meat, etc.	A 2. Milk, Cheese.	B. Bread, etc.	C. Veg., Fruit.	D. Butter, etc.	E. Sugar, etc.	F. Tea, etc.
1904 Budgets ...	%	%	%	%	%	%	%
1914 Adjustm'ts	34.1	8.1	18.5	9.4	12.3	6.9	10.9
1918 Budgets ...	34.0	8.6	21.6	10.5	11.8	6.6	6.8
1920 Budgets ¹ :	39.2	9.5	18.4	9.6	8.7	8.2	6.3
Group I ...	29.1	10.0	22.9	10.3	9.1	13.7	5.0
Group II ...	31.8	11.1	18.4	10.3	10.7	12.8	5.0
Group III...	37.1	9.8	15.4	10.9	11.6	10.7	4.4
Group IV...	36.3	10.3	14.9	11.9	11.4	10.1	5.0
All Budgets	34.1	10.3	17.2	10.8	11.0	11.8	4.8
Weights of Ministry of Labour	35.6	10.5	21.0	5.4	15.3	5.7	6.5

¹ The 1920 Budgets are grouped according to the weekly food cost per unit. Group I includes those under 10s., Group II 10s. to 15s., Group III 15s. to 20s., Group IV, 20s. and more.

quantity adjustment, but less than would be expected. For instance, the increase in bacon consumption is marked in both 1918 and 1920, and yet it is one of the foods with a large increase in price. Lard increased in price in 1918 more than butter, but the change in the quantity consumed was much less; although high in price in 1920, it is approaching the 1914 standard of consumption while butter is still far below. Sugar is twice as high in price as in 1918, but almost half as much again is being used. Eggs have increased greatly in price and yet almost the same quantity has been used at each period.

Although there has been so much change with reference to individual items, the proportionate expenditure upon the different types of food has been remarkably similar, as will be seen from Table VI. Again the close relationship between the 1904 and 1920 standards is evident. (See Table VI, p. 266.)

The ratio of expenditure at two dates can be obtained, (a) by taking the quantities consumed at the first date and pricing them successively at the prices of the two dates, or (b) by taking the quantities consumed at the second date and pricing them at the prices of the two dates.¹ The Ministry of Labour uses method (a), the Labour Committee method (b). The various results may be exhibited as follows:

RELATIVE COST OF FOOD ON DIFFERENT HYPOTHESES.

	<i>Quantities</i>		<i>Valued at prices of</i>		
	<i>as in</i>	<i>..</i>	1914	1918	1920
Method (a)	1914		100	206	271
Method (b)	1918		100	200	—
" "	1920		100	—	260
Actual Expenditure..	.		100	190	259
Ministry of Labour ..			100	218	264

In the comparison of 1918 with 1914 there is wide variation between these measurements, while between 1920 and 1914 there is comparatively little. The mean of 260 and 271, the measurement which Professor Bowley recommends, is close to the Ministry of Labour estimate, and only slightly above the actual difference in food cost for the standard family.

By Professor Bowley's method the variations in 80 to 85 per cent. of the total expenditure on food are taken into account. The weights used by the Ministry of Labour account for 75 per cent. of the food expenditure as reported in the 1904 study.² The relationship of these weights to the proportionate expenditure for the different food groups is shown at the bottom of Table VI.

The weights would seem to attach too great importance to the expenditure for bread, flour, etc., and to the expenditure for fats. There has been a steady increase in the proportionate expenditure

¹ Bowley, A. L., "Measurement of Changes in the Cost of Living." *Journal of the Royal Statistical Society*, May, 1919.

² *Labour Gazette*, February, 1921.

for sugar and other sweet foods, which makes the weight for this group of too little relative importance. Estimate of change in expenditure for fruits and for other vegetables than potatoes was omitted purposely by the Ministry of Labour in connection with the preparation of its index number, because of the irregularity which would be caused by their seasonal fluctuations. This gives Group C a low weight in comparison with its proportionate value in the total expenditure.

With these various changes in details in food consumption the nutritive value of the dietary has remained fairly constant, as will be seen in Table VII, where the approximate quantities per man per day are given for energy, protein, calcium, phosphorus and iron in comparison with what are considered by scientists to be satisfactory standards for measuring an adequate nutritive requirement. The various essential vitamins were probably present in sufficient degree in the types of food used, but as yet it is impossible to measure accurately either the quantity present in the dietary or the bodily requirement.

TABLE VII

NUTRITIVE VALUE PER UNIT PER DAY FOR AVERAGE FOOD CONSUMPTION
AT DIFFERENT PERIODS

	Calories.	Protein.	Calcium.	Phosphor.	Iron.
		gms.	gms.	gms.	mg.
1904 Budgets ...	3175	92.1	0.54	1.16	13.9
1914 Adjustment	3108	89.2	0.51	1.12	13.1
1918 Budgets ...	3010	88.1	0.53	1.13	13.2
1920 Budgets ¹ :					
Group I ...	2464	66.7	0.43	0.90	11.3
Group II ...	3020	85.8	0.58	1.12	13.2
Group III...	3495	104.5	0.70	1.34	16.4
Group IV...	4285	122.0	1.00	1.79	20.1
All Budgets	3215	91.6	0.64	1.19	14.1
Nutritive re- quirement ...	3000 to 3500	75 to 100	0.68	1.32	15.0

The slight differences in the number of calories provided at the four periods can be easily explained by differences in the degree of physical activity in the occupational groups represented. In other respects there has been a slight improvement in the later records, especially with reference to calcium, probably due to the increase in milk consumption.

A much wider variation is shown within the four groups of the

¹ The 1920 Budgets are grouped according to the weekly food cost per unit. Group I includes those under 10s., Group II 10s. to 15s., Group III 15s. to 20s., Group IV 20s. and more.

1920 study. In Group I, with its food cost of less than 10s. per week per unit, the dietary is inadequate in every respect, although this is the group with the largest number of children and especially needing a generous food allowance. Through careful management, however, this group succeeded in securing a return of 1,970 calories for a shilling, while Group II secured only 1,725, Group III 1,450, and Group IV 1,310. The average calories per shilling for the entire group was 1,500 in 1920, while about 2,525 could have been secured in 1914.

In Group II there is probably a sufficient food supply unless there is a large amount of physical activity required for the adults. In the other two groups the nutritive value of the dietary is high in every respect.

SUMMARY AND CONCLUSIONS

Opportunity for a comparison of standards of food consumption as influenced by various conditions, exists in the reports of investigations of living costs in Great Britain between 1904 and 1920.

The food expenditure in the 1920 investigation by a group of labour organizations has been studied in detail.

The food cost per unit increased as the income increased, but was affected in the opposite way by an increase in the size of family expressed in units, so that careful adjustment is necessary if accurate comparison is to be made between investigations with differing average size of family or with differences of total income not explained by those of living costs.

In 1920 the quantity of individual foods per family or per unit varied considerably, the increase or decrease being fairly regular in four groups arranged according to cost per unit per week for food. (Tables I, II, III.) Except with the group having the smallest expenditure, there was about the same range of variety in the use of the common foods, variation in total cost per unit being due to differences in quantity and price rather than kind of food.

The proportionate expenditure for meat, fish, and eggs increased considerably as the food cost per unit increased, and there was a much more rapid decrease in the proportionate expenditure for bread, flour, etc. There was but little change in the proportion used for other types of food. (Table VI.)

The nutritive value of the dietary increased as the food cost per unit increased, but less rapidly, because the expenditure at the lower levels gave a higher nutritive return than did the higher expenditures. (Table VII.) Except for the group with the lowest food cost, the nutritive value was sufficient.

A different type of variation was found in the comparisons of food expenditures as reported in 1904, 1914, 1918, and 1920. (Table IV.) The ratio to the quantity used in 1914 varies considerably, the quantity in 1918 being apparently much affected by the compulsory and voluntary adjustments made during the war. With the excep-

tion of a few foods where the use seems to have increased or decreased permanently, the quantities used in 1920 are much closer to those used in 1904 and 1914. (Table V.)

The influence of price in causing readjustment in quantity seems to vary in accordance with the strength of common desire for particular foods, as is seen by the continued use of bacon or eggs even at a high price, and with the ease with which a satisfactory substitute may be secured, as is illustrated by the use of margarine in place of butter, and the use of syrup for sugar.

Except in certain respects for 1918, the proportionate expenditure for different foods has remained nearly the same and in fairly close agreement with the proportional distribution of weights among these groups in the index number of the Ministry of Labour. (Table VI.) Any discrepancy between these weights and present standards seems to have the effect of over-estimating the increase in the cost of food rather than under-estimating it. This discrepancy will doubtless become less if food standards continue to revert towards those upon which the weights were based, as seems likely from the 1920 figures.

There was no evidence of any change in food standard which came from higher wage standards. However, the food expenditure in 1920 was 49·7 per cent. of the total income in comparison with 61 per cent. in 1904, so that there was evidently a larger amount available for other expenses which was not being used for a more expensive dietary. Because of the small number of families in the 1920 investigation and the difficulty of making comparisons with earlier investigations, except with reference to food quantity and expenditure, definite conclusions along this line are impossible.

The average nutritive value of the dietary has remained remarkably constant in spite of the many changes. There was no indication of inadequacy except in a small proportion of families in the 1920 study, where only a small expenditure per unit for food could be afforded. Doubtless a similar inadequacy would have been found in a similar subdivision of the records in the other investigations.

As the basis for accurate knowledge concerning changes in food standards, it is desirable to have periodic investigations similar to the three here discussed and compared. Among small incomes the food expenditure absorbs a far larger proportion than it does in any other budget division, and the health of the family is especially dependent upon the adequacy of the food supply. Therefore, exact information concerning present, rather than simply past, standards of food consumption would seem a matter of national importance and one which should receive much fuller recognition.

Note by Prof. A. L. Bowley.—The correlation between food expenditure per unit and number of units in the family has now been calculated for the 1918 budgets.

Average food expenditure per unit, 10.865 shillings.

Average number of units in family, 4.55.

Coefficient of co-relation — $.468 \pm .026$.

This is very near the coefficient in the 1920 collection, — $.518 \pm .05$.

The regression is not rectilinear; expenditure per unit decreased as the number of units increased up to about 6 units and then remained nearly stationary. A parabola fits the observations much better than a straight line.

If y (shillings) is the average expenditure when the family contains x units, the equations of the straight line and parabola of regression are:

$$y = 15.8 - 1.06x.$$

$$y = 20.0 - 3.07x + .208x^2$$

1918 BUDGETS.

Number of units in family.	Number of families.	Average expenditure per unit (shillings).		
		Actual.	Formulae:	
			Line.	Parabola.
1.5 to 2.0	37	15.4	13.5	15.3
2.0 to 2.5	4	14.2	13.0	14.1
2.5 to 3.0	96	13.4	12.6	13.1
3.0 to 3.5	109	12.4	12.1	12.2
3.5 to 4.0	161	10.8	11.6	11.4
4.0 to 4.5	91	11.5	11.1	10.7
4.5 to 5.0	136	9.9	10.6	10.1
5.0 to 5.5	86	9.4	10.1	9.6
5.5 to 6.0	83	9.3	9.7	9.2
6.0 to 6.5	53	9.6	9.2	8.9
6.5 to 7.0	39	9.8	8.7	8.8
7.0 to 7.5	16	9.1	8.2	8.7
7.5 to 8.0	23	8.2	7.7	8.7
8.0 to 8.5	11	9.2	7.2	8.8
8.5 to 9.0	8	8.0	6.7	9.1
Over 9.0	6	8.7	—	—

Recent Contributions to Economic Theory

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IN reality the title of this article gives little indication of the nature or content of the medley of books under review. It is true that all purport to be of interest to the student of economic theory, but many fail to achieve their goal.

Perhaps the most stimulating volume is that by Mr. J. A. Bowie,¹ who attempts to solve the problem of profits. He holds that the existence of profit is a necessary condition for enterprise and initiative; and examines the claim of profit-sharing as a possible solution of present industrial warfare. He defines profit-sharing as "an agreement between employers and employed by which the majority of the employees receive, in addition to their wages, a predetermined share of the profits realized by the business in which they are engaged" (p. 50) and discusses the basis and conditions of several existing systems. He comes to the conclusion that profit-sharing neither "sweetens social relations" nor promotes efficiency of production, and attributes this lack of success to the smallness of the bonus, the lapse of time between the receipt of the reward and the putting forth of extra effort, the irritation caused by a decrease in the bonus, and the fact that profit-sharing, being a movement on the part of employers to raise wages, is regarded with suspicion by the workers.

In its place he advocates co-partnership (he frequently uses the unpleasant word *co-partnery*), that is to say, profit-sharing plus the ownership of capital and the control that ownership implies, and he compares the two types of co-partnership as practised at Messrs. Lever Bros. at Port Sunlight, and Messrs. Taylors at Batley, greatly to the disadvantage of the former scheme. Mr. Bowie suggests that the keen animosity between wage-earners and profit-takers should be eliminated by making wage-earners participators in profits, not through an act of grace on the part of employers, but by constituting them more or less independent shareholders. To this end he argues that the shares should not be gratuitously distributed, but that the workers should be given specially favourable conditions to buy shares in the business in which they are employed. To give them freely would lead to their being undervalued, and owned by those who are not interested, while unless specially favourable terms were given it is unlikely that the desire to invest would be stimulated, and the

¹ *Sharing Profits with Employees.* James A. Bowie. (Pitmans, 1922.)

dislike of having both savings and employment dependent on the success of one firm overcome. Finally, with this shareholding some measure of real control must be given.

Mr. Bowie's scheme opens the way for much discussion, and it is a pity that he stops short at the elaboration of his scheme and does not deal with the working out of details and resulting complications. There is much repetition in the book, which might be eliminated to make room for a discussion of such problems as, for example, how employers as a whole are to be persuaded to make the necessary sacrifices involved, or what happens in times of heavy unemployment. Moreover, it is obvious that the success of such a scheme depends in large measure upon the confidence of the workers in the efficiency of the management, and Mr. Bowie does not explain how this can be assured, particularly in the event of the possible failure of various firms directly attributable to bad management.

Questions affecting labour are also discussed in two articles which form part of a symposium issued by the *Revue de Métaphysique et de Morale*.¹ M. Lazard discusses Professor Clark's *Marginal Productivity Theory of Wages*, which he says (rather unfairly) typifies English thought on wages. He points out the obvious weaknesses of a theory which holds that "la productivité marginale règle à la fois la rémunération et l'affectation des travailleurs" (p. 407), and after a discussion of the "productivity theory," concludes that "la productivité détermine un maximum au delà duquel il serait pratiquement impossible de porter, et surtout de maintenir, le taux des salaires; elle marque, en somme, une limite plutôt qu'une norme" (p. 442).

M. Dugé de Bernonville gives a brief résumé of the efforts made by various countries to investigate industrial fatigue, promote scientific management, and obtain the most economic distribution of the new recruits to industry. It is interesting to note that Great Britain, although behind the United States, is ahead of many European countries (including Germany) in this respect.

The symposium of which these articles form part was published with the object of obtaining a synthetic view of the progress of economic science at the present time, and of the problems awaiting solution. It contains articles by M. L. March on Statistical Method, two by M. J. Moret and Mr. R. Hawtrey on Exchange, and a somewhat disappointing article by M. Gide on Consumption. The rhythm of economic production is dealt with by M. A. Aftaleon, who stresses the importance of the time factor in production, but who fails to emphasize the consequences of a system of production for an anticipated demand, and the importance of the psychological attitude of the entrepreneur; M. A. Barone contributes an interesting article on Kartels and Trusts, while the factors of production are discussed by MM. Augé-Laribé and Rist. Of these, the article

¹ *Problèmes Actuels de l'Economique*. (Librairie Armand Colin, Paris, 1921.)

by M. Rist on Saving is by far the most stimulating, and although open to criticism on various points is perhaps the most original in the symposium.

Criticism of English economists by foreign writers are always welcome, for in the majority of cases it is possible to see one's traditional theories looked at from a new point of view and judged from a different angle. It must be confessed, however, that neither Mr. Boucke¹ nor Mr. Lewinski² are helpful in this respect. Mr. Boucke states that his aim is to find a perspective for a large variety of (presumably economic) facts, and to show with some degree of definiteness how far economics, even to-day, rests on concepts worked out during the eighteenth century. Unfortunately, the book has been copiously sprinkled with indiscriminate polysyllabic "isms," and the following excerpt is typical of the difficulty experienced in attempting to thread one's way through Mr. Boucke's verbiage: "For this reason, perhaps, empiricism contributed most to an inductive logic, to the psychology of sensationalism, but particularly to an analysis of ethics favouring at first individualistic hedonism, and then utilitarianism, i.e., the concept of happiness for the greatest number. In epistemology this led to phenomenism, with Hume as its chief exponent, and to materialism on French soil. In political philosophy it represented constitutionalism as against the advocacy of absolutism by the rationalists, etc." (p. 30.) English economists are discussed under four heads, Naturalism, Utilitarianism, Historism, and Marginism (!). And an attempt is made to discover the ethical and philosophic background in which their ideas evolved, and to discuss the theories of each group in relation to that background. It is, however, not at all clear which writers appear under each group, nor is it evident why one school superseded another in spite of the lengthy explanations offered by the author.

Mr. Lewinski's book, on the other hand, is eminently straightforward. He aims at finding "among the doctrines advanced more than one hundred years ago, such theories as still to-day can help us to understand economic phenomena." The first chapter will no doubt prove the most interesting to English students, as from then onwards Mr. Lewinski deals with matters which have already been made available in book form in this country, and have been better dealt with. The author discusses the theories of the Physiocrats, of Adam Smith, and Ricardo, and while many of the excerpts he quotes are interesting, his explanations are not particularly illuminating, nor is his choice of words sufficiently exact for one who wishes to criticize the theories of others. He is very pessimistic about the state of economic theory after Ricardo, for whom he seems to have a very inordinate admiration, and declares that "taken as a whole

¹ *The Development of Economics, 1750-1900.* O. F. Boucke. (Macmillans, New York, 1921.)

² *The Founders of Political Economy.* Jan St. Lewinski. (P. S. King and Son, 1922.)

the theoretical advances of political economy since Ricardo's *Principles* are comparatively very irrelevant. The last decades especially have been very barren." It is to be wondered if M. Lewinski has heard of Jevons' contributions to the theory of value, or those of Professor Cannan to Distribution, or even of Professor Cassel.

Professor L. V. Birck's *Theory of Marginal Value*¹ is a treatise of considerable length and detail, and seems to have been written largely under the influence of the Austrian school of thought on this subject. The first of the five books is devoted to explaining "how the demand of the individual expresses itself, and the rules governing the conception of this demand," and also "how a person distributes a given income" (p. 69). Such subjects as the Disutility of Labour, Wants, Utility, and Subjective Price are dealt with in great detail.

Upon the subject of money the treatment is not very happy. We are told that "money is the wonderful fairy by whose help the shaking hand of the old man can hold the bread which the prudent youth denied himself" (p. 55). One would have thought that wonder would have changed to disgust during the past few years, in which the fairy has been snatching all, or a good deal, of the bread from the shaking hand. Book II is an examination of the confluence of the demands of individuals, which determines market price, and treats of demand schedules, supply schedules, market conditions and value. It is marred by references to exchange value as "a sort of power inherent in one commodity which can only be exercised in connection with a similar power in another commodity, and which can only be estimated by the ratio between the quantities exchanged" (p. 103). This seems an unnecessary elaboration of an earlier accepted statement that value is a ratio.

The third book, on Relations of Subjective Prices, deals with the effect of the distribution of incomes on prices, in the course of which the real value of income is for no apparent reason referred to as "the moral value of the shilling" (pp. 116-7). Here the author deals clearly and well with the limitations of the conception of value, where conditions of great inequality of incomes exist, quoting as an example the fact that because the Hope Diamond and 50,000 bushels of wheat exchanged at the same money value, the statement that they are of equal value has but small usefulness, owing to the difference in the marginal value of the incomes of the buyers. A full treatment of consumption appears in this book, and includes a helpful examination of the factors which are of importance in the formation of the curve of demand for certain goods. The book closes with a lengthy chapter headed: "The Subjective Price of Labour," in which it is concluded that this price is "in contradistinction to our subjective price for the good, *not a price of demand, but a price of supply*" (p. 165)—a view which is hardly acceptable at the present time.

¹ *The Theory of Marginal Value.* L. V. Birck. (Routledge, 1922.)

The fourth book treats of the Normal Market, and consists mainly of a discussion of conditions of supply, and is accompanied throughout by a clear exposition of the effect of taxation under different conditions of supply, but again the treatment of the value of the precious metal is neither clear nor happy. It appears to have been written in 1917, and this probably accounts for the statement that the author "will maintain that this collapse . . . [of the gold value of paper money] is mostly apparent only" (p. 244). The last book, on Manipulated Prices, comprises chapters on customs duties, and prices, monopoly prices, connected prices and prices of technical components. The author supports the imposition of an export duty on raw materials "in order to further employment at home" (p. 253), and advocates a protective duty on newly invented machinery on the ground that "by keeping out competition which would have forced our manufacturer to scrap the first machine too early it would have made it possible for him to have worn it out, and enabled him to avoid acquiring the second machine, and buy the third when the first was worn out" (p. 342). (1)

Professor Birck states that capital claims interest for the reason "that the lender makes a sacrifice of waiting and has an economic position of power" (p. 341), and says that the simple theory that interest can be paid because the economic capital is productive, can be termed the "naïve" theory of productivity. This may explain why the claim is made, but certainly gives no clue as to how it is met.

The treatise is an expansion of the marginal theory involving nothing new, and is very variable in quality. It is regrettable that the author should have used so much unnecessary "algebraic armour." The book has no index.

The increasing interest in economic matters, which is an almost inevitable consequence of the delay in returning to "pre-war conditions," has no doubt accounted for the enormous increase in the output of textbooks on elementary economics. The chief characteristic of all these writers seems to be the desire to simplify and to render attractive, with the general result that the reader is given the impression that of all sciences Economics is the most abstruse and difficult to approach. An honourable exception must be made in the case of Mrs. Stocks' book,¹ which is certainly one of the best introductory books on Economic History which has appeared for some time. The book is stated to be written for use in continuation schools, but deserves a much wider public, for Mrs. Stocks has not merely stated facts and events, but has woven into them a considerable amount of theory. The story of England's industrial development is briefly and interestingly told, while the problems which were presented by each new development are plainly shown. To have covered in some 300 pages such a full history, to have dealt

¹ *The Industrial State*. M. D. Stocks. (Collins' Clear Type Press.)

at the same time with such points as the mercantilist theory, the early English economists, modern tendencies of State action and trade union activity, and to have clearly brought out the action and inter-action of all changes, is no mean achievement. It is, however, surprising to find no mention of the name of Jeremy Bentham. In a book with aims less wide this would not be surprising, but when Mrs. Stocks discusses Chadwick and Place, and the change of attitude on the part of Parliament towards State activity, it is unfortunate that no mention is made of the man who inspired the reform of English administration and did so much towards founding the system of State activity of which Mrs. Stocks is so proud.

Of the four introductions to Economic Theory that of Mr. Milnes¹ is the most easily readable and generally useful. Presumably the book is written for the "man in the street," for the treatment is not scientific enough to make it a suitable book for university students. The inevitable description of Division of Labour is enlivened by culinary advice on the making of tea, but after that, the treatment becomes more stereotyped. The international aspects of Division of Labour are not adequately stressed, while the "Law of Diminishing Returns" is expressed in such a way as not to make it clear that both manufactures and agriculture are at various times subject either to increasing or decreasing returns. Mr. Milnes appears to be under a misapprehension as to the nature of marginal utility, when in discussing value he writes, "But at last he (the purchaser) will have as much of the thing as he cares to pay for at any price at which any producer will make it for him. And *then* (italics ours) he is said to have reached the marginal utility to him of that thing" (p. 108). The weakest chapter in the book is undoubtedly that on Earnings, where he maintains the theory that the "central point above and below which wages will tend to swing backwards and forwards will indicate and be equal to the standard of comfort among the unskilled labourers for the time being" (p. 146). Also in discussing the effects of restriction of output and increased efficiency he omits all considerations of the elasticity of demand for the product in question, tacitly assuming an elastic demand.

Mr. Lee's little book² on *Plain Economics* is written for "intelligent men and women," and purports to be a frank individual examination of the phenomena of the essential issues, "in order to 'rid them of complexities.'" Its value may be gauged from the fact that in the space of a small volume of 110 pages Mr. Lee "individually examines" such diverse subjects as the whole of economic theory, population, currency, credit and money, co-operation, transport, out-door relief, representative government, etc. He is constantly referring to a new age where economic prices and values will be substituted by fair prices and just values, but on examination these

¹ *Economics for To-day*. Alfred Milnes. (Dent and Sons. 1920.)

² *Plain Economics*. John Lee. (Pitmans. 1921.)

do not prove to be much different from those to which we are accustomed at the present time.

It is difficult to imagine for what class of reader Dr. L. Alston's book¹ is intended, for its exposition is childish in the extreme, and yet deals with subjects which could not possibly interest any child. In an attempt to simplify, Dr. Alston has exaggerated to an extent which is irritating. The book is full of very ordinary jokes and anecdotes, and is plentifully supplied with pseudo-poetic quotations which are supposed to help in his exposition but of which the only really clever one is that at the head of the chapter on Capital and Interest: "They also serve who only stand and wait" (Milton). The aim of the book is to show "how the parts of the business world . . . fit in together," and how we can all "get on" by fitting in well with other people, but it is to be feared that the style of the book will prevent many readers from discovering that much of Dr. Alston's theory is quite sound.

After the somewhat unscientific vagaries of Mr. Milnes, the pious aspirations of Mr. Lee, and the heavy playfulness of Dr. Alston, Miss Buer's² directness comes as a relief. Her book is "primarily intended for the upper forms of secondary schools," and for that purpose it is certainly an admirable introduction to economic theory. She is obviously a disciple of Professor Cannan and her book is largely an explanatory treatise of much of the subject matter of *Wealth*, together with an elementary survey of banking organization and currency questions. Miss Buer discusses most current economic questions with impartiality and in a scientific manner, but it is a pity that in some cases her English was not more carefully revised, and that the book has not been more attractively printed.

Nevertheless to the student who thinks of the subjects still to be investigated, and of the many obscure points which might profitably be the subject of helpful research, it is a little disheartening to see this ever increasing flood of elementary textbooks most of which differ little from each other save in omissions or mistakes.

¹ *How it all fits together.* Leonard Alston. (Dent and Sons. 1920.)

² *Economics for Beginners.* M. C. Buer. (Routledge. 1921.)

Missing Page

- "THE POSITION OF SWITZERLAND IN INTERNATIONAL LAW," a lecture by Professor Eugene Borel, of Geneva University (President of the Anglo-German Mixed Arbitral Tribunal), on MONDAY, NOVEMBER 6TH, at 5 p.m. (Given under the auspices of the University of London.)
- "ECONOMIC AND ADMINISTRATIVE PROBLEMS OF THE BRITISH TROPICS," a course of four lectures by Sir Frederick Lugard, P.C., G.C.M.G., at 6 p.m. on THURSDAYS, NOVEMBER 23RD and 30TH, DECEMBER 7TH and 14TH. The Chair will be taken by Colonel L. C. M. S. Amery, M.P. (Given under the auspices of the University of London.)
- "POLITICAL DEVELOPMENTS IN INDIA, 1919-1922," a course of three lectures by Sir William Henry Vincent, K.C.S.I. (Member of the Executive Council of the Governor-General of India, 1917), in March, 1923, on dates to be announced later. (Given under the auspices of the University of London.)

Books Received

- VISCOUNT BRYCE : *International Relations*. Macmillan and Co.
H. D. HENDERSON : *The Cotton Control Board*. Carnegie Endowment : Oxford University Press.
H. JENKINSON : *A Manual of Archive Administration*. Carnegie Endowment : Oxford University Press.
R. M. GOSHI : *Indian Export Trade*.
B. MALINOWSKI : *Argonauts of the Western Pacific*. Routledge.
F. MAURETTE : *Les Grands Marchés des Matières Premières*. Armand Colin.
J. ORR : *A Short History of British Agriculture*. Humphrey Milford.
J. G. SMITH : *Organized Produce Markets*. Longmans.
G. SALLE : *Le Droit Ouvrier*. Armand Colin.
CISAR AND POKORNY : *The Czecho-Slovak Republic*. Fisher Unwin.
L. MISES : *Die Gemeinwirtschaft*. Gustav Fischer.
J. A. HOBSON : *Richard Cobden : the International Man*. Fisher Unwin.
B. G. DE MONTGOMERY : *British and Continental Labour Policy*. Routledge.
F. W. FOERSTER : *Mes Combats à l'assaut du Militarisme Allemande*. Librairie Istra.
J. C. STAMP : *Wealth and Taxable Capacity*. P. S. King.
A. M. CARR-SAUNDERS : *The Population Problem*. Oxford University Press.

Periodicals Received

- Metron*.
Bollettino della Emigrazione.
Giornale degli Economisti.
Zt. für Volkswirtschaft und Sozialpolitik.
La Riforma Sociale.
Bombay Co-operative Quarterly.
Irish Economist.
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